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ECONOMIC AFFAIRS

No. 61



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NATIONAL ECONOMIC POLICY

DEVELOPMENT OF INDUSTRIES UNDER URBAN COLLECTIVE OWNERSHIP DISCUSSED

Shanghai FUDAN XUEBAO: SHEHUI KEXUE BAN [JOURNAL OF FUDAN UNIVERSITY: SOCIAL SCIENCES EDITION] in Chinese No 5, 5 Sep 79 pp 12-15

[Article by Weng Qiquan [5040 0366 5425] and Hong Yuanpeng [3163 6678 2590]: "Two Problems Must Be Solved in Order To Develop Industries Under Collective Ownership in the Cities"]

[Text] Our industries under collective ownership in the cities are an important component part of our national economy and an economic force for the realization of the four modernizations that cannot be overlooked. According to 1977 statistics, industries under collective ownership in the country made up three-fourths of all industrial enterprises; the number of employees of such collective industries made up one-third of the total number on the industrial front as a whole; and the value of production of these collective industries made up nearly one-fifth of the value of total industrial production. These industries have been producing hundreds and thousands of industrial articles for daily use; even though some of these articles do not cost very much, they are needed by every family and every individual, and are indispensable to people's life. For example, buttons, cloth pins, zippers, hair pins, locks, cutlery, vegetable baskets, and wardrobes, bookshelves, etc., are all of this kind. The varieties of such products are numerous, and their forms and styles also change very fast. It is impossible for the state to organize a huge enterprise under ownership of the whole people to produce these things, but industries under collective ownership in the cities must take over this responsibility. In recent years, the proportion of the value of gross production of our secondary light industries which served the daily needs in people's life generally made up about 40 percent, and a considerable part of this was produced by industries under collective ownership.

Along with the development of big industries, production becomes more and more extensively socialized; division of labor also becomes more minute, and production becomes further specialized: under such circumstances, there are bound to be accessories of products which must be dispersed to the medium and small enterprise for processing. Also, the more such big industries develop, the more would be their discards of leftover and waste

materials; this makes it more necessary for collective industrial enterprises mainly of the medium and small sizes to repair the old and utilize the waste for them so as to turn the waste into precious and thereby supplement what is required by those big industries and the market. Some street collective enterprises in the southern district of Shanghai, for instance, have utilized leftover vinylon from the Shanghai petroleum and chemical engineering main plant to process into working clothes, trousers with suspenders, tablecloths, sleevecovers and other protective products of the like, thereby turning the waste into precious and meeting the demands of the market. Apart from this, when industrial departments are reorganized for specialization purpose and when products are replaced by better substitutes, imbalance between different links of production is liable to appear and the need to send "metamorphosed" old products downward is bound to be felt; under these circumstances, the tasks of filling the gaps and "taking care of offspring" products should also be suitable for, and require, collective industries mainly of medium and small constituent enterprises to take over.

When the degree of mechanization of our agricultural production remains not very high and manual work is still to be basically relied upon, in order to adapt to such a state of production medium and small agricultural implements are generally still of important use. It has been industries under collective ownership in the cities which produced large quantities of such medium and small agricultural implements to meet the needs in agricultural production. According to 1978 statistics, the value of industrial output of medium and small agricultural implements produced by secondary light industries was 1.744 billion yuan. The quantity of production of agricultural implements also increased yearly. Produced in 1978 were 412 million small iron implements, 70 million wood implements, nearly 80 million bamboo implements, and 4.21 million gardening tools: these products played a positive role in promoting technical renovation in agriculture, in developing agricultural production and in consolidating the collective economy in the countryside.

Industries under collective ownership in the cities also constitute a force that cannot be overlooked in cumulating capital for the four modernizations. Taxes and profits handed into the state treasury by enterprises under collective ownership of the system of secondary light industries in the country alone have amounted to 3 billion yuan each year. These enterprises under collective ownership themselves require very little investment, are easy to put into full operation, can achieve great results, and have come into being mostly by way of self-reliance, utilization of limited existing facilities, and exertion of efforts on the part of the masses themselves. To energetically develop industries under collective ownership in the cities, therefore, can also save development funds for the state, cut down expenditure, expand programs, and accelerate the process of socialist construction.

Industries under collective ownership in the cities are also an important source of expanded exports and earned foreign exchange. According to available statistics, foreign exchange earned by our handicraft products has made up 14 percent of total exports in the country's foreign trade, and nearly 80 percent of total exports of light industrial products in the foreign trade. Export products offered by these industries such as garments, toys, leather and plastic goods, small light bulbs, small articles for daily use are all welcomed by people of foreign countries and enjoy a high reputation in the international arena. The Jinan embroidery plant has produced more than 10 types of high-class export products which are sold in 26 countries; the value this plant's yearly production alone has amounted to more than 4.4 million yuan.

Industries under collective ownership in the cities are spacious headquarters for expanding realms of employment and absorbing large numbers of people awaiting employment; they are schools for training construction personnel for the state. At present, the groups under collective ownership consisting mainly of youths founded in cities like Beijing, Shanghai, Tianjin, Guangzhou, and Fuzhou, like woodwork groups, mechanized embroidery stations, housing construction teams, etc., are all orientated toward production and all orientated toward livelihood; their sizes are small and their forms are diverse; and they also operate flexibly and ingeniously: they are therefore welcomed by the masses and they also help solve the employment problem for large numbers of youths. In the case of those industries under collective ownership in the cities, therefore, not only their original employees and workers made up a big proportion of those on the entire industrial front, but they have continued to provide broad outlets for people awaiting employment and for intellectual youths, and hence to create also beneficial conditions for organizing the various forces to accelerate socialist construction.

In a word, industries under collective ownership in the cities occupy an important spot, and play an important role, in our national economy. They are a force which cannot be overlooked in the realization of the four modernizations. At present, in order to further develop industries under collective ownership in the cities, two problems must be solved.

Such Ownership and Autonomy Must Be Respected and Maintained

In the realization of the party's various economic policies, ownership and autonomy of the collective economy in the people's communes have already attracted great attention in general; this has played a positive role in the development of agricultural production and the consolidation of the collective economy in the countryside. But ownership and autonomy of industries under collective ownership in the cities have not yet received the kind of attention they deserve. Some localities and departments have resorted to lateral transfer of collective properties, random encroachment upon the economic autonomy of collective enterprises, and random decisions on reorientation of production for enterprises, allocate

such properties to other departments, and thereby deprive the autonomy of the industries under collective ownership to make their own production, supply and sales arrangements of any protection. Some localities and departments take collective enterprises as "money tree" or "the Tang monk's flesh," i.e., all wishing to enjoy a little therefrom, so that they indiscriminately exact contributions from the collective enterprises and have them undertake other assignments. For instance, when they wish to establish the five small plants, they would ask the collective enterprises to put up the funds; when they handle public works in the cities and give subsidies to intellectual youths being sent down to the country-side to become production team members, they also ask the collective enterprises to put up the funds. When some bridges are damaged, maintenance and repair expenses are also demanded of the collective enterprises. All practices of this kind have tended to increase extra burdens imposed upon the industrial enterprises under collective ownership.

Some localities and departments ignore the level of the development of their productive forces and therefore make random decisions to ask the small collectives to embark upon a road of transition toward big collectives, and the collective ownership system to embark upon a road of transition toward ownership of the whole people. This also has hampered the consolidation and development of industries under collective ownership in the cities. In what way can we maintain and respect the ownership and autonomy of the collective industries in the cities?

First, we must set up rules to protect their means of production, their products and capital from being swallowed up or transferred away at random.

Our industries under ownership of the whole people and our industries under collective ownership, insofar as their character is concerned, are both under socialist public ownership; they are two wheels of the same car and should treat each other as co-equals. The view of taking the industries under collective ownership as "semi-socialist economy," as "a tail of capitalism," is erroneous. The means of production of these industrial enterprises under collective ownership belong to the laborers of that collective; the state and the local administration have no right to take them away in any form. A collective economy is meant mainly to organize common labor in the realm of a collective; its labor power should be arranged by each collective economy itself, and the state is not entitled to arrange it in any uniform way. Except a part to be handed into the state treasury as tax, the rest of the profits of a collective economy should all be disposed by the collective itself, and no other departments may attempt to appropriate them. The practice of having the properties of enterprises under collective ownership transferred at random or taken away without compensation is illegal and must be resolutely stopped.

Second, we must stabilize the form of collective ownership and refrain from having it embark upon a road of transition toward ownership by the

whole people. This is determined by the objective law that production relations must adapt to the level of development of productive forces.

At present, the production relations of our industries under collective ownership in the cities are well adapted to the development of productive forces. According to statistics, between 1965 and 1978 the value of gross production of industries in the secondary light industries system of the country increased by 188 percent, of which the value of gross production of enterprises under ownership of the whole people increased by 153 percent, while the value of gross production of enterprises under collective ownership increased by 200 percent. In Qinghai there are two plants producing electric wires: one is an enterprise under collective ownership, and one is an enterprise under ownership of the whole people. The products of the two plants are basically the same, and the numbers of their respective workers are also very close; but, because the ownerships of their means of production are different, and the ways of their management and control are also different, their economic effects are by no means the same. In the case of the plant under collective ownership, it has overfulfilled its productive tasks in each of the 8 years since it was put into operation; it has altogether earned 2.1 million yuan, and in 1978 the profits created by this plant for each 100 yuan of the value of its production were 16.5 yuan. In the case of the plant under ownership of the whole people, it has suffered a loss in each of the 6 years since it was put into operation, and only during the past 2 years was it able to produce some surplus; even in 1978, when its production situation was best, profits for each 100 yuan of the value of its production were limited to 6 yuan.

The reason why the industries under collective ownership develop faster than industries under ownership of the whole people, and also enjoy better economic effects, is because the former enjoy greater autonomy than the latter. (1) The industries under collective ownership are entitled to control the collective cumulation funds. They can use such funds on enlarged re-production or on the development of new collective industrial enterprises; (2) They usually practice independent accounting, take the responsibility for their own gains or losses; although in some cases, a company would take the uniform responsibility for their gains or losses, the achievements of their operation are still closely tied together with the economic interests of the employees and workers, and this helps mobilize the sense of responsibility and enthusiasm of the collective employees and workers to develop production; (3) The scale of the industrial enterprises under collective ownership is small, the variety of their products is diverse, their management is more flexible, and their adaptability is great: they therefore are able to creatively organize and readjust their production in order to produce whatever is needed in the market; (4) Making up any shortage in their labor power is also relatively more flexible and manageable, as it is possible to increase such labor power in time by taking into consideration the needs of society and of production and by following certain procedures. Facts have proved that,

at the present stage in our country, industries under collective ownership are well adapted to the development of productive forces, and exhibit great vitality; especially under the condition that manual labor is still predominant, it is probably easier for collective ownership to develop the superiority of socialism than ownership by the whole people. Because the former helps rectify the practice of not paying attention to economic accounting while "eating from the common pot," helps overcome the tendency to have the state handle everything while counting on an "iron rice bowl," and helps further develop productive forces. Therefore, the problem now is not how a collective ownership system is to embark upon a road of transition toward an ownership by the whole people, but how the superiority of industries under collective ownership can be better developed. Also, certain good experiences of enterprises under collective ownership are worthy of borrowing by enterprises under ownership by the whole people.

Third, we must guarantee the greater autonomy in management enjoyed by industries under collective ownership, and in plan management, we must let collective enterprises enjoy the right to formulate their own production plans according to their own characteristics and the needs of the state, the market, foreign trade, and people's livelihood. The state should refrain from assigning production plans as directives to the collective enterprises; it may guide their production through indirect plans such as agreements and contracts. In labor management, we must let the collective enterprises enjoy the right to recruit employees and workers according to their own characteristics and program requirements. In finance, we must make sure that the collective enterprises retain a higher percentage of the profits. At present, after portions are handed into the state treasury as income tax, the rest of the collective enterprises' profits are divided according to certain percentages progressively by the bureau, company or district, and street levels of administration, with the enterprises themselves retaining nothing or retaining very little: this practice must be studied and improved upon. Practice has proved that whenever collective enterprises enjoy greater autonomy, they also turn out to be full of vigor and vitality and making plenty of profits; whenever they are deprived of their autonomy, they also turn out to be lethargic like a pool of dead water, changing from making gains to sustaining losses.

Fourth, starting from the actual condition that our population is very big, our economic foundation is still weak, and the level of development of our productive forces is still not very high, we must accelerate our socialist construction and realize our four modernizations; we must not only maintain and develop existing collective economy but also energetically develop new industries under collective ownership, by forming collective organizations such as productive cooperatives for unemployed youths, cooperative groups, construction teams, transport teams, repair service stations, etc., which practice independent accounting and take responsibility for their own gains or losses. We must not try to stem them off as if they were "capitalist loopholes."

Practically Carry Out the Distribution Policy of "To Each According to His Work"

At present, another problem which exists in the industries under collective ownership is that the distribution principle "to each according to his work" has not been seriously carried out, and the wage, welfare, and labor insurance benefits of workers of collective enterprises generally tend to be low; they are, in general, half a grade or a full grade lower compared to those of enterprises under ownership by the whole people in the same trade. In many localities, there are still no labor insurance benefits; in some cases, even labor protection items, high-temperature subsidies, food grain distribution criteria, and auxiliary food supplies are provided according to a lower standard compared to enterprises under ownership by the whole people. These problems are not helpful toward further mobilizing the socialist enthusiasm of employees of collective enterprises. How should the distribution principle of more work more pay be practically carried out?

First of all, we must do away with the convention that salaries of employees under collective ownership can never be higher than those under ownership by the whole people. During the past 10-odd years, the distribution rule carried out in the various localities that "the collective must be lower than the whole people" is unreasonable and also in violation of the Constitution and the party's policy. As early as the beginning of the 1960's, the Party Central Committee already explicitly prescribed: the level of wages for workers under collective ownership "should be generally equivalent to the level of wages for workers at state-managed plants of the same type of work and the same technical conditions in the same locality"; workers' welfare benefits "should be decided according to the level of development of an enterprise's production and the good or bad results of its management." It was also prescribed that in food grain distribution, these workers "should enjoy the same treatment as workers of state-managed plants of the same kind of work and the same trade in the same locality as a matter of principle." This shows that economic benefits for workers of industries under collective ownership should likewise be based on the carrying out of the principle to each according to his work, and more work more pay. After approval by relevant departments, the newly built silk and brocade mill in Beijing was able, in April this year, to do away with the convention that workers' wages at plants under collective ownership must be lower than those at plants under ownership by the whole people; it removed the restriction that reward for production overfulfillment must not exceed 5 yuan; it also carried out a division of production overfulfillment income into a 20 percent portion and an 80 percent portion, with the latter given to the collective, and the former allocated to the employees according to their respective individual contributions. This made the wage income of many employees equal to, or in excess of, that of employees of state-managed enterprises of the same type, and hence greatly mobilized the enthusiasm of the employees. The value of their gross production and profits for the second season this

year, as a result, increased respectively by 100 percent and better than 100 percent compared to the corresponding season last year. The tax money handed into the state treasury amounted to more than 20,000 yuan during the season, and this constituted the highest historical level.

Next, the level of distribution in industries under collective ownership must adapt to the level of development of their production, their management, and their income. Between collective enterprises of the same trade, those whose production management is well done and whose income is higher may adopt a higher wage level and provide greater welfare benefits; those whose production management is not very well done and whose income is lower may appropriately reduce their wage level and welfare benefits. The development of industries under collective ownership in the city of Weihai in Shandong has been very fast; they have, on the basis of developing the collective economy, made the effort to change in time the salaries of employees of the collective enterprises roughly to the same level as the state-managed enterprises, and to gradually expand the collective welfare enterprises by taking out 6-7 percent from the cumulation funds each year to be used on housing construction. Today, they have already built more than 20,000 square meters of employee dormitory space; all those employees of the collective enterprises who needed such dormitory allocation have been able to secure agreeable housing; they have also built nearly 3,000 square meters of employee hospital space, and 2,800 square meters of kindergarten space. A very prosperous outlook caused all of Weihai's youths to wish to go to the enterprises under collective ownership to work.

Finally, restoring the labor dividends distribution system that was once effectively carried out in industrial enterprises under collective ownership is also something worth considering. This labor dividends distribution system worked this way: apart from their fixed monthly wages employees of the collective enterprises would draw a part from their respectively retained percentage of profits as labor dividends funds which would be distributed in proportion to each employee's income for the whole year; what each received usually was equivalent to one additional month's wage. In years when production management was well done and profits were high, there would be more such labor dividends distributed; otherwise, there would be less. This labor dividends distribution system was well adapted to the nature and characteristics of enterprises under collective ownership. It not only served to realize the principle of more work more pay, but also the principle of more production more pay, and more income more pay. This played a considerable role in mobilizing the enthusiasm in production on the part of the collective enterprises' employees and in causing these employees to pay attention to the entire production and management situation of their respective enterprises. Because, insofar as, the economy under collective ownership is concerned, each laborer's "different working capacity is his natural privilege." Then, the different material conditions for production enjoyed by each collective economic unit also constitute its "natural privilege." Since we wish to preserve, maintain and develop the collective ownership system, we cannot possibly

overlook such differences; otherwise, they would not be helpful toward the development of social production or toward the consolidation of the collective economy.

To sum up, industries under collective ownership in the cities must seriously carry out the principle of more work more pay and to each according to his work, closely unite the results of enterprise management together with the economic interests of the employees, and correctly treat the relationship between the state, the collective and the individual. Only thus will they be able to better mobilise the socialist enthusiasm of employees of industrial enterprises under collective ownership, promote the development of social production, and further consolidate and develop industries under collective ownership in the cities.

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NATIONAL ECONOMIC POLICY

'JINGJI GUANLI' EVALUATES EXISTING BONUS SYSTEMS

HK231300 Beijing JINGJI GUANLI (ECONOMIC MANAGEMENT) in Chinese No 1, 15 Jan 80 pp 11-14

[Article by Wong Xiangjia [3769 4382 0857]: "The Bonus System as Practiced in 100 Pilot Enterprises in Sichuan Province"]

[Text] Sichuan Province has been piloting the expansion of enterprise self-management since October 1978. Marked results have already been achieved within a very short time. While these enterprises were doing the piloting, they were also instituting their own bonus systems. This is one step forward toward adhering to the principle of distribution according to labor. The conditions of the bonus systems as instituted in the 100 pilot industrial enterprises (including some nonpilot enterprises) will be discussed below.

The Conditions of the Bonus System

At present the regular bonus system instituted by various factories is in transition. In the past the grading and scale of the bonus for each workshop and individual were prescribed by the factory authority. The terms of the reward were often too general. It was basically a composite bonus scheme based on the appraisal of the masses. This is being gradually replaced by a new scheme based on calculation. The terms of reward for this scheme are more clearcut and specific, and are more closely related to production and management. The varieties of bonus schemes have also been increased. Several types of bonus schemes have been established in accordance with the characteristics of different types of work. The types of bonus schemes can be categorized as follows:

I. Fixed Package Bonus Scheme (It Is Actually a Bonus for the Fulfillment and Overfulfillment of Targets)

This is a bonus scheme promoted by provincial departments. It is now extensively instituted. It is characterized by more comprehensive and specific terms of reward and extends from the factory authority to the workshop and from the section to the individual producer. Performance

is assessed from the upper echelon down to the grassroots level to insure the overall fulfillment of various economic targets of the whole factory from the lowest level right up to the top. The Changdu Sichuan First Cotton Textile Mill reformed its management system at the beginning of 1979, dividing its 20 or more workshops and departments into 7 economic management committees of yarn, cotton cloth, dyeing, reserve, resource supply, construction and services in accordance with the principle of specialized coordination. Each of these committees institutes economic accounting. Corresponding improvements on the bonus scheme have been made in conformity with such structural changes. In practice, the 8 overall economic targets of the factory were subdivided into 77 intermediate targets and assigned to the various economic management committees. The economic management committees in turn have subdivided the targets into 500 small targets and assigned them to the workshops, teams and groups, units and individuals. The factory authority controls the affairs of the economic management committees in six areas (that is, over output, goods quality, personnel, installations, raw materials and coordination). The economic management committees, in turn, undertake responsibilities in eight areas (that is, output, goods quality, cost of production, profit, installation, cultural production, labor and safety). The factory authority hands out the average bonus to each individual according to the extent of target fulfillment of each economic management committee. For instance, an average of 6 yuan per person has been awarded to the four management committees dealing with yarn, cotton cloth, dyeing and reserves on account of the fulfillment of targets satisfying the demand on enterprises of the Daqing model (this has been prescribed by the National Textile Department) on the basis of fulfilling the eight overall targets of the whole factory. For targets in excess of the demand on enterprises of the Daqing model by 1 percent, an average bonus of 7 yuan is awarded. For targets which are 2 percent in excess of the demand on enterprises of the Daqing model, an average bonus of 8 yuan is awarded. For the fulfillment of targets of output, goods quality, production cost, and profit, there is an extra bonus for those whose level of awards has exceeded the 8 yuan average. The economic management committee, in turn, hands out the bonuses to its subordinate workshops (units) according to the extent of their target fulfillment. The workshops have also instituted different bonus schemes in accordance with the production characteristics of each work team. The most common practice is to adopt the workpoint system in the work teams and groups to assess the bonuses according to various production targets assigned from above. In reality, the practice is to base the assessment of target fulfillment of the workteam (individual) on marks stipulated in accordance with the need and priority of production (the keypoint targets have higher marks). The extent of fulfillment is assessed by the end of each month. Extra marks are given to those who have overfulfilled, and deducted from those who have failed to fulfill the prescribed targets. Bonuses are then distributed according to marks.

II. Individual Bonuses (They Are Primarily Rewards for Overfulfillment)

Take the Chongxing Jialing Machinery Factory, for example. The production workers in this factory primarily receive bonuses for overfulfillment, with some receiving bonuses for goods quality or safety.

Bonuses for overfulfillment. This bonus scheme was instituted in the punching and metal processing workshops. In actual practice, on the basis of fulfilling targets in quality, variety and consumption and safety in production at the factory, workshop and team levels, a basic workshop worker is to receive 0.12 yuan for each hour of overfulfillment. However, no individual is allowed to receive more than 10 yuan per month. Meanwhile, an ancillary workshop worker is to receive 0.1 yuan for each hour of overfulfillment with no individual being allowed to receive more than 9 yuan. At present, workers receiving overfulfillment bonuses in this factory constitute 51 percent of the total staff and 82 percent of workers engaged in direct production.

Quality bonus. There are four teams under this scheme. All those who can meet the prescribed waste product quota receive 4 yuan. An additional reward of 1 yuan is given for a reduction of waste products by 1 to 10 percent. For reduction of waste product over 50 percent, starting from 51 percent, an additional bonus of 1.2 yuan is given.

Safety bonus. This is in effect among workers engaged in the production of flammable and explosive goods. It is primarily based on the assessment of safety quotas, but bonuses are given only when the quotas of output, quality and consumption are fulfilled. In actual practice, a 6-yuan bonus is given for the first month which is safe and without an accident. An additional 1 yuan is given for each additional month. Six months constitutes one phase and the premium of bonuses for one phase is 11 yuan. No additional bonus is given for continued safety after the 6-month period. The bonus is terminated as soon as any accident occurs and further bonuses are to be enumerated from the very beginning.

III. Composite Bonus

This is commonly instituted among ancillary production workers and office cadres. In actual practice, it is basically modeled after the traditional bonus scheme of appraisal by the masses and giving out of bonuses in various grades. Some factories do try to specify the terms of bonuses to link them with production (and work). The Chengdu Sichuan First Cotton Textile Mill has stipulated that after the fulfillment of the principal targets of the factory, all office staff under the reward scheme will receive 5.5 yuan per head. For offices which have fulfilled their specific sphere of work, each member will receive an additional 0.5 yuan. An additional 0.5 yuan per person will be awarded to staff of production branches which have completely fulfilled their assigned targets with exceptionally marked results. After the office has received the overall bonuses, individual shares are then passed out according to each person's eligibility. This scheme has brought better results after being implemented.

IV. Bonuses for Reducing Production Costs and Bonuses for Overfulfilling Plans in the Form of Shares in the Profit

Some enterprises draw part of their regular bonuses from the enterprise fund and profits in addition to the wage fund. They carry out the bonus schemes for reduction of production costs and profit sharing for the overfulfillment of plans. For instance, since 1979 the Chengdu Sichuan Pharmaceutical Factory has instituted various bonus schemes to reduce production costs and profit sharing to overfulfill plans according to the characteristics of the production of different workshops. The bonus scheme to reduce production costs of the penicillin workshop prescribed that the workshop would receive a bonus of 8 fen for a reduction of 1 yuan in the production of 1 billion units (for the measurement of antibiotics). A bonus of 0.12 yuan would be given for a 2-yuan reduction of production cost and 0.15 yuan for a 3-yuan reduction of production costs. The Xingda Penicillin Workshop carried out the bonus scheme of profit sharing for overproduction. A regular production bonus of 7 yuan per person was awarded for reaching the actual production output of 1978. (This had already exceeded the historical peak of production.) On the basis of not increasing installations or personnel, upon fulfillment of the planned output of 1979, the bonus was to be distributed according to profits derived from the difference of actual output between 1978 and 1979. A bonus of 5 fen would be awarded to the workshop for each yuan of profit. The bonus would be allocated by the workshop itself.

In addition to the regular production bonus, as from March 1979 onward, the Chongqing Special Steel Plant also put into effect an additional bonus scheme on the basis of fulfilling all its principal targets. In actual practice, each person in the principal workshop receives a quarterly bonus of 6 yuan per person for an increase of 3-10 percent of planned profit, 12 yuan for an increase of 10-20 percent and 18 yuan for an increase of above 30 percent. The bonuses for staff and workers of other workshops and offices amount to 80 or 50 percent of the bonuses of the staff of the principal workshops. The bonuses are drawn from the enterprise fund.

According to the information of the Sichuan Provincial Economic Commission, all these 100 pilot enterprises on the expansion of self-management have carried out their own bonus schemes in the first half of 1979. Some 88.1 percent of the staff under the schemes have actually received bonuses.

With regard to the source of bonuses, 86 units drew their bonuses from their gross wages. Among them, 35 units gave out an average monthly bonus of 8.5 yuan per person, 7 units an average of 8 yuan and 6 an average of 7.5 yuan. For the remaining units, the average monthly bonus was below 7 yuan per person with the lowest being 4 yuan. There were 14 units which drew their bonuses from their gross wages as well as from the profit derived from overfulfilling plans or the margin derived from reducing production costs. In these enterprises the average monthly bonus per person was above 8.5 yuan, with some being around 12 yuan. Some were as high as 15-16 yuan. Some of the actual individual bonuses were even higher.

Several Problems

I. The Current Method of Drawing Bonus and the Level of Bonus Are Not in Line With the Demand for Close Integration of Reward and Production

For the bonus schemes in force in the Sichuan pilot enterprises, the bonus of the production workers are directly linked with the fulfillment of production quotas. This obviously has a promotional effect on production. However, according to present regulations, the bonuses are still drawn from a fixed percentage of the workers standard wages. Such a static figure leads to contradiction between the total amount of bonuses and demand. For the Sichuan pilot enterprises which have overfulfilled the eight principal economic targets, the monthly bonus per person is controlled at a level of 8.5 yuan. This has, in fact, violated the regulation of State Council Document No 91 which prescribes that the highest percentage of bonuses should not exceed 12 percent (it was approximately 17 percent). Some enterprises still report that such bonuses are inadequate. At present, for the sake of keeping the total amount of bonuses below the prescribed level, the enterprises which have implemented bonus schemes for fulfilling and overfulfilling targets have mostly adopted the method of package marks. The value of the marks is not kept at a fixed level and is allowed to change with the amount of bonuses. No matter how much production is increased, the bonus will not be increased. The more produced, the higher the marks but the lower the value for each mark. It is common for workers to say that "this is called making oneself suffer." Enterprises having overfulfillment bonus schemes mostly adopt this method of limiting the highest amount of bonus. When the bonus of the worker exceeds the prescribed limit, the bonus will not be increased no matter how much the target is exceeded. The workers think that this is not in line with the principle of distribution according to work. Experience has proven that this practice is unfavorable to bringing the labor enthusiasm of the workers into full play and to the development of production. A leading comrade of the Nangjiang Machinery Plant said that his factory restored the bonus system in 1978. The composite bonus was first instituted with unfavorable results. Later, a limited bonus scheme for overfulfillment was instituted among certain production workers. Each worker received 0.12 yuan for each extra hour (exceeding the quota of working hours). But the highest amount of bonus for each month was kept below 12 yuan. After its institution, productivity increased by 25 percent. The problem with this scheme was the existence of the limit for the highest bonus. The workers would stop when they could receive no higher bonus even if they had the potential to do more work. This resulted in "enthusiasm at the beginning and apathy at the end" in the course of production. Later, due to the demand of production, the highest bonus limit for the two boring lathe and scraping and grinding workshop production teams were abolished. An unlimited overfulfillment bonus scheme was instituted and productivity suddenly jumped by approximately 30 percent. It was said that if wages were renumerated by piecework, productivity would be even higher. Other enterprises have also expressed similar views on this issue. It seems that our present method for giving out bonuses should be improved.

II. The Problem of Instituting a Bonus Scheme Which Derives Its Bonus by Deducting a Percentage From the Profit of Overfulfillment or a Bonus Scheme for the Reduction of Production Cost Alongside the Existing Scheme of Drawing Bonuses From the Wage Fund

At present, there is still disagreement on this issue. Leading cadres of enterprises practicing such a combination of bonus schemes have reported marked results. The leading comrades of certain provinces and municipalities also think likewise. However, business departments tend to disagree.

The factory director of the Chengdu Sichuan Pharmaceutical Factory said that the output, output value and profit of his factory in 1978 had greatly exceeded the highest historical level, with output even exceeding the designed capacity. The production plan for 1979 was thus greatly expanded. However, the workshop cadres refused to accept the target because they regarded it as too great and too difficult to fulfill. After the institution of bonus schemes to reduce production costs and the sharing of profits for overfulfillment, the enthusiasm of the workers was greatly enhanced and production increased rapidly. From January to August 1979, the output of antibiotics was 40 percent above the highest historical level and a 22-percent increase over the same period in 1978. It was expected that the production plan for 1979 would be overfulfilled. With the increase of production, the bonuses of the workers also increased to a monthly average of around 16 yuan per person. (This includes the bonus drawn from the wage fund.) The total amount of bonuses given out constituted 1.5 percent of the total profit. It was estimated that for every 100 yuan of additional profit, 9 yuan would go to the workers while 91 yuan would go to the state. The result has been very good. However, the leading departments concerned thought that the bonus was too high and sought to limit it to below 1 percent of the profit. Consequently, the original scheme had to be revised.

According to reports, the Chengdu Measuring Instruments and Cutting Tools Factory has instituted a "bonus scheme to increase production, practice economy and yield profits of overfulfillment." The whole factory fulfilled its monthly production plans and the basic bonus was handed out (equally distributed to the units according to the number of people. Meanwhile, the bonus came from the wage fund). Furthermore, for each 10,000 yuan in excess of the planned profit quota, each workshop was to receive a bonus of 0.18 yuan, 0.17 yuan or 0.15 yuan for each of its workers. The workshop (unit) was in turn to distribute the total amount of bonuses to the workers according to the stipulated terms of reward. Ever since the institution of the scheme, every member of the factory has expressed his enthusiasm for the affairs of the factory, exercised strict budgeting in his respective spheres of work and exhibited great concern for production. Up to June 1979, output had already reached 66.7 percent of the yearly plan. This was an increase of 28.3 percent as compared with the same period in 1978. The gross industrial output had already reached 58.6 percent of the yearly plan. When compared with the same period in 1978, this

was an increase of 25.4 percent. Of the planned profit quota, 57.3 percent had already been attained. When compared with the same period in 1978, this was an increase of 38.2 percent. On the basis of increasing production, the expenditure on bonuses was also increased. The monthly average for the individual stood at approximately 16 yuan. However, the leading departments concerned thought that this practice not only violated the regulations of the State Council but also violated the regulation of the provincial party committee. Furthermore, the level of bonuses was regarded as too high. Consequently, the banks refused to cash in the bonuses. The issue was finally settled by the order of the leading comrades of the provincial party committee to continue with the pilot scheme.

Many enterprise cadres and comrades from other spheres believe that it is the repeated aim of the party Central Committee to carry through the principle of each according to his ability and distribution according to work. The party Central Committee has also proposed the policy of allowing some enterprises and workers to become rich first and not to be afraid of being conspicuous. The implementation of the measures to offer bonuses for reducing production costs and for overfulfilling plans in the form of sharing the profits of overfulfillment has mobilized the enthusiasm of the staff and workers, enhanced production, increased profits and benefited the state. Properly offering more bonuses to staff and workers is in line with the central authorities' principles and is also legal and reasonable. There is nothing wrong in this. Furthermore, in view of the present relatively low standard wage of the workers, it is appropriate to have higher bonuses and have them constitute a greater proportion of the worker incomes. This is beneficial to carrying through the principle of distribution according to work. It is also beneficial to improving the lives of the workers and mobilizing their labor enthusiasm. They have criticized certain comrades for not looking at things dialectically and for lacking a clear-cut stand on production and trying to promote equilibrium negatively. They believe that there is still much potential in many enterprises. Giving out of bonuses to mobilize the enthusiasm of the workers will only create more wealth for the state. Spending of a little bit of the money will bring significant results. It is the state which will benefit in the end. Since these schemes are still under experiment, not much experience has been gained. Even if there are problems or lack of equilibrium, they are only problems encountered in the process of advances. These will be constantly improved in the future. All equilibrium should be positive. Some comrades believe that balancing wage relations in various departments and enterprises should primarily be expressed in the standard of wages. They believe that there is no need to balance bonuses since they are the excess rewards for worker overtime. Some comrades also complain that it is often obvious that the state's wealth was being wasted extensively. However, since it is legal, nobody has bothered to question it. On the contrary, the situation is not the same for those who wish to mobilize the enthusiasm of the workers by giving out some bonuses in order to resolve the problem of waste. Although it is beneficial to the state, it is still intervened with because it is regarded as illegal. They have appealed that it is time to resolve this problem.

Some comrades of business departments believe that giving out bonuses in enterprises should be commensurate with profit. This will give bonuses a closer link with production and be beneficial to mobilizing the enthusiasm of the enterprises and the workers. This is superior to the current method of drawing bonuses from the gross total of wages. But there should be appropriate overall balance of the bonus level. The reasons are: 1) There are many contributing factors to the yield of profits. In addition to the difference of labor contribution of workers, there are also factors such as the price level of products, the conditions of resources, the quality of technological installations, the distance of transportation, the conditions of electricity supply, and so forth. All these will have significant effects on the amount of profits an enterprise can yield. Due to the difference of conditions, greater profit in an enterprise does not necessarily mean that the workers have contributed more labor. Likewise, less profit in an enterprise does not necessarily mean that the workers have contributed less labor. If there is no overall equilibrium, there might be disparity of benefits among the workers. Given that all the conditions are similar and the bonuses are to be calculated according to similar percentage of the planned profit or profit of overfulfillment, there will still be disparity between long established enterprises and recently established ones. Recently established ones will have greater potential, greater extent of growth of production and profit and more bonuses. Long established ones have smaller potentials, lesser extent of growth of production and profit and fewer bonuses. This will have the side effect of "beating the oxen at the front," that is, cracking down on long established enterprises. 2) We are practicing a planned economy. There should be overall equilibrium in the whole economy. There should be overall equilibrium in production, distribution, financial income and expenditure, the circulation of currency and market supply. To base distribution merely on the profit of an enterprise as a unit will disrupt the various national plans and result in difficulties. With regard to the difference of worker income between trades and enterprises, if there is no overall equilibrium, the disparity will be too great. This will cause many contradictions and result in many undesirable consequences. Those comrades also believe that since the state already has specific regulations on drawing bonuses, before there are any revisions, these regulations should be strictly adhered to, except for pilot units on enterprise self-management. They also believe that there should be no independent action. The solemnity of state policies should be maintained.

At present, some leading comrades at provincial or municipal levels tend to support the views of the comrades in the enterprises. Consequently, the work of certain business departments has become more or less passive. A director of wages in a municipal labor department said that the higher business departments charged them with carrying out state regulations concerned, whereas the propaganda of the press and radio often tended toward the opposite direction of the state regulations. Some enterprises have made use of such propaganda to request permission to follow suit. Cadres at his level have not favored the requests, but the higher level leadership have given their support. This has created quite a difficult time for those in the middle.

It seems that the level and source of bonuses are a problem of relatively great contention and require urgent solution. The problem should be conscientiously studied and more appropriate measures should be devised to cope with it.

ECONOMIC PLANNING

FAST DEVELOPMENT OF 'BIG COLLECTIVE' INDUSTRIES REPORTED

Beijing ZHONGGUO SHEHUI KEXUE [SOCIAL SCIENCES IN CHINA] in Chinese No 1, Jan 80 pp 213-224

[Investigation Report by Xiao Liang [2556 0081], Tang Zongkun [0781 1350 3540] and Zhang Tianxin [1728 1131 1800]: "The 'Big Collective' Industries of Weihai Municipality"]

[Text] This article analyzes the situation of fast development of "big collective" industries in Weihai Municipality, Shandong Province, and its cause, and expresses the opinion that this system of "big collective" industries is even more suited to the need for the development of productive forces than the present system of state-managed industries, and should therefore be taken as an example when the state-managed industries proceed to reform their management system. It also expresses the opinion that if such "big collective" enterprises can be turned into enterprises of collective ownership in name and in substance, if such enterprises are differentiated from administrative organs and set up as specialized companies or joint companies with their autonomy assured and their responsibility for their own gains or losses specified, then the speed of their development will be even faster.

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I. "Big Collective" Industries Developing Rapidly

Weihai is a coastal city in the Yantai area of Shandong Province with a population of only about 32,000 or so. Even with the agricultural population in the outskirts included, the population of the entire municipality hardly exceeds 190,000.

Yet, in such a small city industries have been developing very fast since liberation. At the time of liberation in 1947, except handicrafts such as those of blacksmiths, masons and carpenters and a winery, the city hardly had any industry. But now it has become an industrial city on the basis mainly of its light industries. In 1978 the value of the municipality's total industrial product of 298.86 million yuan made up 81.03 percent of the value of its combined total industrial and agricultural product of 368.82 million yuan, while the value of its total agricultural product of 69.96 million yuan made up only 18.97 percent of the value of its total industrial and agricultural product.

Among Weihai's present industries, the collective economy is predominant. Of the total of 144 industrial enterprises in the city in 1978, 27 were state-managed enterprises, and 117 were collective enterprises. The value of the total product of these collective enterprises was 188.01 million yuan, which made up 62.9 percent of the value of the city's total industrial product. Collective enterprises included two types. One was the type of industrial enterprises started by cumulations from the collective economy which now operate under their own responsibility for gains or losses within the jurisdiction of the Bureau of Industries under municipal authority; these are locally called "municipal enterprises" or "big collectives." The other was the type of commune and production team industries and street industries started by the communes and streets; these enterprises are also responsible for their own gains or losses, are of small scale and rather widely scattered, and locally they are called "sub-municipal enterprises" or "small collectives." By the end of 1978, there were 52 "big collective" enterprises among the above-mentioned 117 collective enterprises; the value of their total product made up 83.3 percent of the value of total product of all collective enterprises, and 52.4 percent of the value of the entire city's total industrial product. Therefore, the weight of these "big collective" industries has been decisive in the city's economic life.

In terms of the speed of development, evidently, that of these "big collective" industries has been faster than that of the state-managed industries. From 1965 to 1978, the value of the entire city's total industrial product increased from 30.12 million yuan to 298.86 million yuan, with a progressive yearly increase of 19.1 percent. Of this, the value of the state-managed industries' total product increased from 17.71 million yuan to 110.85 million yuan, with a progressive yearly increase of 15.2 percent; and the value of the "big collective" industries' total product increased from 13.31 million yuan to 156.70 million yuan, with a progressive yearly increase of 20.9 percent.

The relative weight of "big collective" industries among all the city's industries continued to rise, and this situation can be seen as follows:

年 份 (1)	"大集体"工 业单位数 (2)	"大集体"工业总产值 (3)		"大集体"工业固定资产(原值) (4)	
		绝对额(万元) (4)	在全市工业总 产值中的比重 (5) (%)	绝对额(万元) (6)	全市工业固 定资产中的比 重(%) (7)
1953	11	93	14.5	6.5	8.1
1965	32	1,331	42.9	387.0	28.2
1975	39	6,082	46.4	2,496.0	37.3
1978	52	15,670	52.4	4,527.0	40.5

Legend: 1. Year. 2. Units of "big collective" industries. 3. Value of "big collective" total industrial product. 4. Absolute amount (in 10,000 yuan). 5. Percentage of value of entire city's total industrial product (X). 6. Fixed capital equipment of "big collective" industries (original value). 7. Percentage of fixed capital equipment of entire city's industries.

The above figures indicate that, calculated according to the value of total product, "big collective" industries now make up more than half of Weihai's industries and are therefore the main economic form of the city's industrial sector.

Along with the development of industrial production, profits of Weihai's "big collective" industries have also continued to rise, and so has its percentage in the profits of the entire city's industries. In 1953 the profits of these "big collective" industries were 69,000 yuan and made up 14.3 percent of the profits of the entire city's industries. The corresponding figures in 1965 were 1.33 million yuan and 39.5 percent respectively; those in 1975, 10.33 million yuan and 60.9 percent respectively; and those in 1978, 20.39 million yuan and 60.4 percent respectively. From these figures we can see that, in 1953 and 1965, the percentage of the profits of "big collective" industries in the profits of the entire city's industries was still lower than the percentage of the value of these "big collective" industries' total product in the value of the entire city's industries' total product; but by 1975 and 1978, that percentage already exceeded the latter percentage. This evolution illustrates that the profits-earning situation of Weihai's "big collective" industries has in recent years become better than that of the state-managed industries.

In the case of these profits earned by the "big collective" industries in Weihai, the state's present regulations are that, when an enterprise earns more than 80,000 yuan during the year, 55 percent of the amount would be regarded as income tax to be handed into the state treasury. At the same time, according to the regulations of Shandong's Revolutionary Committee, 4 percent of these total profits would be handed into the Bureau of Industries under provincial jurisdiction, and another 4 percent handed

into the bureaus of industries under regional jurisdiction to be used as cooperative enterprises development funds. The rest of the profits (of about 37 percent of the total) was concentrated for uniform allocation and use in the bureaus of industries under municipal jurisdiction; it was used, in fact, on the enlarged re-production and employees' collective welfare undertakings of the "big collective" industries within the respective systems of these bureaus of industries. Under such circumstances, funds needed by the enterprises must all be applied for at the bureaus to which they belong, so that these bureaus would approve their allocation respectively.

The source of funds to be used by these "big collective" industries consists entirely of internally retained profits. In 1978, for instance, according to the above-mentioned methods of allocation, profits from the "big collective" industries retained by Weihai's various bureaus of industries altogether amounted to more than 7.5 million yuan. Of this amount, about 2.5 million yuan were actually used on enhancing the liquid capital of the constituent enterprises; about 5 million yuan were used as investment in capital construction (including productive capital construction and construction for employees' housing and welfare measures). All the present 52 "big collective" industries of Weihai were developed gradually after the municipality formed its handicrafts federation in 1949 (under which there were 4 handicraft cooperatives at the time). Members who joined the federation at the time of its founding are now all old and retired; their initial membership dues were also returned to them as early as 1958. Their total capital equipment has been only gradually cumulated since the founding of that handicrafts federation.

The Weihai handicrafts federation was reorganized into the bureau of handicrafts in 1966; in 1967, it was further reorganized into the second bureau of light industries. But what this second bureau sought to develop was not limited to light industries but involve also others such as a water mill, farm machinery repair plant, electric machinery plant, measuring instruments plant, balance instruments plant, radio plant and mechanical and electronic establishments of the like. The reorganizations of 1977 and 1978 made a point to have these various trades and establishments subsumed under separate systems of enterprises according to their established status. After such reorganizations, the enterprises subjected to the jurisdiction of each bureau of industries now include both state-managed enterprises and "big collective" enterprises. But among the 25 enterprises under the second bureau of light industries, there is only one state-managed enterprise and all the rest are "big collective" enterprises. Within each bureau of industries, however, the enterprises manage their respective financial affairs separately and refrain from appropriating each other's funds.

In developing its "big collective" industries, Weihai has mainly adopted the method of "having the old foster the new, like making a hen lay an egg." The practice in this regard is: when a product needs to be put

into mass production, the responsible bureau of industries would discuss the matter with concerned enterprises in order to make arrangements to have it first test-produced at an old plant and also to gradually form a specialized workshop to handle its production; when conditions become ripe, the especially engaged equipment and personnel would then be differentiated from this old plant to set up a new plant elsewhere, while at the same time supplemental labor power and equipment required by the old plant would also be further provided. Comrades of Weihai's second bureau of light industries say that, in order to assure that the egg laid is not a soft-shelled one, four conditions must be present when a new plant is differentiated from an old plant: (1) bring into being a complete process of production craftsmanship; (2) bring into being an independent productive capability; (3) cumulate specific management experience, and also foster a contingent of production management cadres; and (4) make sure that quality of the product is adequate, and raw materials supply and sales of the product are assured. Since 1965, just the second bureau of light industries alone has established more than 20 "big collective" plants according to this approach, and thereby started new businesses, and produced more than 50 varieties of new products. If the bureau had waited for the state to provide the plan and the investment to establish these plants and arrange for the production, such new businesses and new products would hardly have such a future because, especially in the case of such a small city as Weihai, no one could tell how long one would have to wait. But Weihai neither waited, nor made demands on the state; it decided to rely on its own strength and get things started first. In some cases, successfully test-produced new products were already on hand before further initiative was taken to win recognition by relevant departments at the superior level, so that the supply and sale of the products could then be incorporated into state plans. For example, only after they had successfully test-produced a wool blanket did they take it to the provincial headquarters for inspection and recognition. At first, relevant departments at the provincial headquarters did not believe what they saw, saying that Weihai was incapable of producing such a fine wool blanket, so that it must have been bought from somewhere else to hoodwink people. But, after it was verified as a genuine Weihai product later, and the market also urgently needed it, they finally made arrangements to supply raw materials and sell the product. Weihai wool textile plant thus ultimately came into being. Meanwhile, this approach proved to be less expensive and more efficient, requiring less investment and producing quicker results. For example, under the jurisdiction of the second bureau of light industries even a shoe factory which originally had only 189 workers was able to foster a leather factory (using pig skin and ox hide for such leather) by early 1965; in July of the same year, this leather factory further fostered a leather products plant (producing leather gloves, purses, etc.); and by 1971 leather products plant No 1 again fostered leather products plant No 2 (producing leather suitcases and the like) and plastics plant No 2 (producing synthetic leather and fishing-net silk), while in 1976, finally, plastics plant No 2 further fostered a plastics plant No 3 (producing plastic tubes and minor articles of plastics).

These 5 plants which developed from the shoe factory as their mother factory reaped a total product value of 40.47 million yuan in 1978, an equivalent of 8.8 times of the total product value of 4.6 million yuan of the leather shoe factory (successor to the erstwhile shoe factory, the mother factory) in the same year, and an equivalent of 30.5 times of the total product value of the former shoe factory in 1964, i.e., before it "laid all these eggs." Among the enterprises under the jurisdiction of the second bureau of light industries, the total product value of those which were established "like making a hen lay an egg" in 1978 made up 62.7 percent of the total product value of the entire second bureau system of enterprises; their profits that year also made up 61.76 percent of the profits of that same system.

In developing such local industries, a prominent contradiction encountered by the Weihai municipality was insufficiency of labor power. In order to solve this contradiction, they worked out a path of "connecting the plant with the production brigade and dispersing the production processes to other units." The one that first applied this approach was Weihai's carpet plant No 1. This plant came into being in 1958 as a result of the development of a textile and yard cooperative and by 1960 it started to have products for export. But, because of the limitation imposed by various conditions, yearly production of carpets remained at only about 2,000 square meters, which hardly met existing demands. In 1971, orders from foreign trade departments increased sharply, demanding that its carpet-producing capability be elevated to more than 5,000 square meters. But, calculated on the basis of the plant's 300-man work force, even their maximum efforts could achieve a yearly capability of only 3,000 square meters. But the plant had neither additional buildings nor an authorized new organic chart to increase the number of its employees and workers. In order to cope with this urgency under such circumstances, responsible persons of the plant queried: would it be possible to delegate some of the carpet-weaving processes to the countryside, with only the final carpet-combing, trimming, cleaning and finishing-up processes concentrated in the plant itself? This good suggestion immediately gained the support of the second bureau of light industries. Hence, carpet plant No 1 went forthwith to a production brigade to select points for extra-plant experimental processing; and, after operations at these points proved successful, they were rapidly extended to other brigades in 1972. Today the plant's countryside processing points number as many as 36, with a work force of more than 1,800 men, which is more than 5 times as large as the plant's own work force of 350 men.

The plant's productive capability this year is now approaching 30,000 square meters, representing an increase of 6.1 times over the capability of 1971; the total product value in this regard is expected to reach 4.7 million yuan, an increase of 8.2 times over that of 1971. The experience of carpet plant No 1 broadened people's sights, and other plants of Weihai's "big collective" industries thus also began to imitate it. Today, the processing points of the 24 plants belonging to the municipality's

second bureau system alone number 186 and accommodate 6,115 laborers, the latter figure being more than 1,000 above the total of 5,099 employees and workers at the plants themselves. The plants, therefore, take the processing points as their workshops and treat personnel at those processing points as their own workers, and thereby actively help the processing points to handle their production well. Production equipment at these processing points is in the main provided by the brigades themselves, and they are helped by the plants only when necessary in this regard. Equipment supplied by the plants is in some cases sold to the brigades and in others allocated for use by the brigades without ownership change while yearly depreciation funds are paid. Where the processing points really encounter shortage of funds, the plants usually help them out, to the extent their financial and economic systems permit, by granting them such needed funds in the form of advance processing fees. Technically, the plants would train technical cadres for the brigades for periods ranging from 3 to 6 months; during these training periods, the plants would pay the cadres living expenses, and after they have acquired the technical dexterity, the cadres would go back to the processing points to engage in production. At the same time, the plants would also regularly send out cadres and management personnel to the processing points to inspect their work, help establish necessary regulations and systems, improve management at the processing points, and energetically elevate the quality of the products. Processing fees are paid according to grades based on quality of work and prices thus attached; the processing points are assured of reasonable profits, so that the brigades are not short-changed. Apart from the form of concentrated production at these processing points, the plants also allocate certain kinds of work and processes (such as embroidery) suitable for home undertaking to commune members so that they can handle them at home. Insofar as the plants are concerned, the fact that the "big collective" industries are able to disperse products, parts, or processes simple and suitable enough to the countryside in a planned way and thereby have them handled at selected places not only has solved the problem of labor power shortage at these plants but also has saved the funds and manpower necessary for building additional plant accommodations, employee housing, mess halls, nurseries, etc. (were additional employees and workers to be recruited to the plants themselves); this makes it possible for the plants to concentrate their energy to handle their production well. As for the city, this approach not only develops the industries but also spares the city an excessive burden in construction work by stemming off the possibility of large numbers of countryside people pouring into the city.

The rapid development of Weihai's "big collective" industries has thus made a positive contribution to supporting the state's construction work and to satisfying the people's needs in their livelihood.

In the first place, these industries have rendered service to the big industries and cumulated funds for the state's construction work. Because these "big collective" industries not only actively cumulate funds necessary for their own development in a self-reliant way, but also indirectly supply

more construction funds to the state. If they are compared to state-managed industries of the same locality, their contribution in this regard would appear even more outstanding. During the 26 years from 1953 to 1978, total profits submitted by state-managed industries in Weihai to the state treasury amounted to 83.92 million yuan, while total investments the state made to these state-managed industries amounted to 56.56 million yuan. Less investments, the state earned 27.36 million yuan of net profits. During the same period, income tax submitted by the "big collective" industries to the state alone amounted to 58.98 million yuan. In addition, they also handed in industrial and commercial taxes (calculated into cost) at 5 percent of their sales to the state treasury, and cooperative enterprises development funds at 8 percent of their profits to provincial and regional departments.

Secondly, these industries have provided support to agriculture. Among these "big collective" industries, some have directly served agricultural production. Their development also provided beneficial conditions for the development of agricultural production. Especially noteworthy, in the meantime, is the fact that by extensively establishing processing points in the countryside, the "big collective" industries not only developed industries in the communes and brigades but also promoted development of agricultural production. Processing fees paid by Weihai's second bureau system of industries to the countryside processing points in the first half of 1979 alone amounted to 4,087,638 yuan; calculated on the basis of the municipality's 194 production brigades, each brigade received an average of 21,070 yuan; and calculated on the basis of the municipality's agricultural population of 160,000 people, each person received an average of 25.54 yuan, or 4.26 yuan for each person each month. The establishment of processing points in the countryside provided an outlet for the countryside's surplus labor power. With the additional income of these processing fees the communes and brigades not only were able to increase compensation for the members' labor, but also purchased farm machinery, farm medicine and chemical fertilizers, improved capital construction in water conservancy for the fields, accelerated the progress of the mechanization of agriculture, and effectively promoted the development of agricultural production. Last year, per-mu average grain production in the municipality already reached 847 catties. Economic changes were extremely conspicuous in all brigades where processing points were established.

Thirdly, these industries have processed export products for the foreign trade departments, and earned back some foreign exchange. A considerable portion of Weihai's "big collective" industries accepted orders for foreign trade and handled production in the service of export. Among the 24 "big collective" plants under the municipality's second bureau of light industries, 9 plants provide export products, and the total value of these export products in 1978 made up 38 percent of the total product value of the entire second bureau system as a whole. The carpet plant No 1 alone earned for the state U.S.\$2.5 million of foreign exchange last year. Because of limitation imposed by the supply of raw materials and other

conditions, carpet, leather, shoe, and leather products plants still can hardly accommodate the task of accepting orders for foreign trade; otherwise, their production would have been developed even further and could thus earn back even more foreign exchange.

Fourthly, these industries have satisfied market needs and served in the interest of people's livelihood. The production of Weihai's "big collective" industries has been more attentively oriented toward market needs, and its development increased commodity supplies in the domestic market. Commodities like the products of the plate glass plant, woodware plant, leather shoes factory, and wood-clock plant have all been in tight supply in our market. The municipality's woodware plant produces 20,000 pieces of furniture each year; furniture supplied to the Triumph Oilfield has also been processed by this plant.

And fifthly, the development of Weihai's "big collective" industries has improved the living standards of their employees and workers. From 1974 onwards, for instance, the municipality's second bureau system has each year taken 6-7 percent from its retained profits to build family housing for its employees and workers, and hence to have their housing problem well solved. The system has also granted housing subsidies (40 percent) and established kindergartens and nurseries and other welfare enterprises of the like. At present, among children of employees at various plants of the second bureau system those younger than 3 years are sent to the nurseries, and those from 4 years upwards are sent to the kindergartens as pre-school children; parents are responsible only for their board. Hospitals for the employees and workers provide medical services free of charge.

II. Reasons for Rapid Development of "Big Collective" Industries

Why have Weihai's "big collective" industries developed so fast? The main reasons are found to include the following:

First of all, it is because the municipal committee of the Chinese Communist Party in Weihai has paid great attention to the "big collective" industries and the guiding ideology is relatively clear and definite.

Prior to 1977, Weihai had two bureaus in charge of industries; one was the municipal bureau of industries, which was in charge of state-managed enterprises; the other was the second bureau of light industries, which was in charge of "big collective" industries and commune and brigade enterprises. The municipal committee has for many years consistently paid more attention to the "big collective" industries and adopted thereby a correct attitude of "looking after them politically, protecting them economically, and supporting them in their work."

So-called "looking after them politically" means that insofar as their political treatment is concerned, e.g., in respect to listening to their

reports, viewing their documents, organizing them for study, and appraising them for advanced achievement, etc., employees and workers of the "big collective" industrial units are treated on the same level as their colleagues of the state-managed enterprises. Basic-level leading cadres of "big collective" enterprises, like those of the state-managed enterprises, are uniformly subject to the discipline of the organizational departments of the municipal committee.

So-called "protecting them economically" means that the municipal committee undertakes to list the capital construction required by the "big collective" industries, the potential-exploration, renovation and reform of old enterprises, and the question of labor power all in its agenda so as to arrange and solve them in time.

This way, even while political movements continued to unfold during more than 20 years in the past, the management system of Weihai's collective industries basically suffered no disturbance. Cadres working in the collective enterprises not only did not have any problem of lacking peace of mind at their work, their business ambition and their sense of responsibility have been generally strong. Cadres and masses have been united together, and their zeal to work has been great. Precisely because of this, one-third of the municipality's "big collective" enterprises have become advanced enterprises in the fashion of Daqing; of the 24 "big collective" enterprises in the second bureau system, 4 have already become Daqing-type enterprises.

Of course, the municipal committee's view of the collective enterprises was not necessarily clear and definite from the very beginning. It has undergone a process of advancing from the unconscious to the conscious stage. When socialist transformation was just basically completed, some thought that "collective" was, after all, not as good as "all people"; if we were to develop industries at all, we must develop industries under the ownership of all people. But facts proved later that the production development of collective ownership enterprises exceeded that of all people ownership enterprises. Facts enabled comrades of the municipal committee to recognize that, in a small coastal city like Weihai, development of industries could not but depend on the "collective." By 1974 and 1975, the municipal committee still made a concrete analysis of the prevailing conditions of the "big collective" industries and held that these "big collective" industries were developing very fast and making great contributions, which illustrated that this kind of production relations was more beneficial to the development of productive forces; it also held that the "big collective" now was already very different from the handicraft collective economy when socialist transformation was first realized since, in the case of the former, there were now not only no shares and dividends involved, but even the ranks of the employees and workers had changed. Of the cadres and workers of this "big collective," 99 percent had been added only after the basic completion of the socialist transformation and they, like cadres and workers in the all people ownership enterprises,

were all working for socialism. Under such circumstances, the municipal committee made it even more clear that there should not only be no discrimination against this "big collective" but all ways and means must be found to support its development.

Secondly, it is because the existing industrial management system, relatively speaking, is helpful toward having the "big collective" industries develop and grow faster than the state-managed industries, and Weihai happens to have well utilized such helpful conditions.

As has been pointed out above, according to existing management system and methods the collective enterprises had still 37 percent of their profits left after 55 percent thereof was handed in the state treasury as income tax and 8 percent thereof was submitted to the provincial and regional departments in charge as cooperative enterprises development funds. This part of their profits, in the case of Weihai, had amounted to 7.5 million yuan last year, an equivalent of 2.6 times the size of the local income of 2.88 million yuan for the same year; therefore it was a great source of financial strength for such a small city as Weihai. And financial power is important among all powers. Only with money can one handle various programs. In Weihai, this part of the money happens to be concentrated in the municipality's responsible bureau of industries for uniform disposal. This way of handling things is of course not very helpful toward developing the enthusiasm and activism of the enterprises. But the municipality and its responsible bureau did have enthusiasm; they really did not use the money on anything else but to develop the production of the "big collective" industries and improve the living standards of their employees and workers. At the same time, there is also a good side to having this money concentrated in one place: that is, it is helpful toward concentrating all available power to fight a battle of extermination, i.e., toward enlarging the re-production of the collective enterprises and developing new enterprises in a planned and purposeful way. For many years, Weihai's new plate glass plant, wood-clock plant, plastics plant, leather products plant, carpet plant No 2, wool textile plant, etc., have all been built with this money. This is the powerful material base on which Weihai's "big collective" industries relied on their own cumulation to effect their own development. Without this money, or without the power to appropriate this money, it would have been impossible for the "big collective" industries to gain any development.

Let us use the second bureau of light industries again as an example to explain this question. In 1978, the 24 collective enterprises under the second bureau of light industries altogether earned 11.041 million yuan of profits. After portions of these profits were submitted as income tax and cooperative enterprises development funds, there were still 4.241 million yuan left. This latter sum of money was used this way: nearly 3 million yuan were used on capital construction, including the construction of plant buildings, purchase of equipment, and launching of new enterprises; 800,000 yuan were used on augmenting the liquid capital of

subordinate enterprises; and 445,000 yuan were used on the construction of employee dormitories, employee hospitals, and other such welfare establishments. Precisely because Weihai was able to use this money more effectively, so the "big collective" industries were also able, like snowballs, to grow bigger and bigger.

Besides, the fact that the "big collective" industries' labor power problem happens to be easier to solve is also helpful toward enabling them to develop faster than the state-managed industries. During the recent 10-odd years, the state-managed enterprises of Weihai could only increase 1-200 workers each year, whereas the collective enterprises were able to increase 6-700 workers each year. When personnel shortage was really felt at a place, people would be asked to work "both as workers and peasants" in order to assure what was required for production increase. Today, the ratio of people working "both as workers and peasants" in some of Weihai's collective enterprises has already reached one-half or greater than one-half of all employees and workers, and among these people many have become the mainstay for their production.

In order to make use of such helpful conditions, Weihai has also adopted other good measures in the development of its "big collective" industries. For example, the practice of "having the old foster the new, making a hen lay an egg" mentioned above serves both to stimulate the old plant and to develop the new plants quickly. Dispersing certain processing steps of a product to the countryside serves likewise both to facilitate the economic development of the communes and brigades in the countryside and to help the plants handle well key processes of production. Also, concentrating all forces to fight a battle together, i.e., using as much as possible manpower, materials, and financial resources on key items of production, so that, once it is decided to mass-produce a product, efforts are made to guarantee realization of such production within a short period of time, serves to whip into shape a productive capability very speedily. As actual example, when they started to build a wood-clock plant in 1975, they first selected 3 leading cadres, 3 management staff members, and 14 hardcore technical cadres from 7 old plants; the second bureau of light industries then invested 838,000 yuan (making up 23.7 percent of the second bureau system's investment in capital construction for the year); and at the same time, steel materials, lumber, and cement, etc., were assembled, and the labor bureau also allocated 111 new workers to start on the construction. The second bureau of light industries also organized 13 collective plants to join the battle. As a result, the plant was built in less than 1 year and started its operations right away with an initial capability to produce 100,000 wood-clocks; in that first year, it produced 15,000. In the second year, another 1.638 million yuan was invested (which made up 39 percent of the second bureau system's investment in capital construction for the year); this expanded the productive capability to 250,000 wood-clocks, and in that year it produced 80,000. At present, the alarm clocks, hanging clocks, desk clocks, calendar desk clocks, and seismograph-activating clocks produced by the plant have all reached the

state-prescribed level of quality, and their quantity is close to the full capability designed.

Next, in order to develop these "big collective" industries and mobilize the employees' enthusiasm, Weihai has dared also to break up certain unreasonable regulations. For example, wages and fringe benefits of the employees of collective enterprises, fixed according to a scale used prior to the basic completion of socialist transformation, used to be generally lower than those of the employees of state-managed enterprises. Employees of the collective enterprises of course had plenty of opinions about this. During the Cultural Revolution, employees of the collective enterprises at one time proposed to change their signboard (into state-managed), because they were not satisfied with this kind of practice. The municipal committee recognized through this incident that, since both collective enterprises and state-managed enterprises were socialist enterprises, there should be no rigid measure to push the wages and fringe benefits of collective enterprises lower. Hence, it repeatedly put forward requests to relevant leaders and relevant departments; after their consent was secured, it gradually changed the wages and fringe benefits of the employees of collective enterprises to the same level as employees of state-managed enterprises. At present, the wage standards, food grain distribution level, labor-protection articles and fringe benefits of the employees of enterprises of Weihai's second bureau system are already the same as the state-managed enterprises; in the case of some individual items such as housing, hospital facilities, kindergarten facilities, etc., they are even better than the state-managed enterprises. For instance, during the 3 years from 1977 to this year, Weihai's second bureau system built altogether 12,352 square meters of employee dormitory space; calculated according to the total of 3,177 employees, there has been an average of 3.89 square meters for each person. But the state-managed enterprises have built no new dormitories in the past 3 years. Therefore, when workers are recruited in Weihai today, there is already a tendency for them to prefer to go to the collective enterprises rather than the state-managed enterprises. This situation has played an active role in enabling people to settle their minds on the collective enterprises and do their best to handle their production well there.

Thirdly, it is because the "big collective" industries enjoy certain autonomy in management and control, which is beneficial to strengthening enterprise management.

At present, the autonomy in management and control enjoyed by the "big collective" enterprises is not very extensive; but it is already more so than that enjoyed by the state-managed enterprises. Among the principal management cadres of state-managed enterprises, for instance, a considerable number of them are despatched from above; and among these some are of high ranks but not familiar with actual business, and so they are liable to issue blind commands. Such a situation, however, is rare with collective enterprises. In Weihai's case, the overwhelming majority of cadres of the

collective enterprises and their responsible bureaus has been reared locally and selected gradually from the ranks of the workers. Most of them have at least 2 or 3 years of practical experience in production work. And when they were selected, they did not always "ride a missile" but would usually be first promoted to the workshops or the plant headquarters to work at auxiliary positions; only after such training and test were they permitted to take up independent leadership work. These cadres all understand processes of production, have a great sense of responsibility, and never stay away from actual production work; hence, they can grasp their work in a most relevant way, and the masses also submit willingly to them. Since the beginning of this year, some plants have started to have shift foremen, team leaders and workshop directors democratically elected; the overwhelming majority of those actually elected have been old cadres in those positions. This proves that cadres formerly selected have the support of the masses. The No 1 and No 2 cadres in command at some of the plants with whom we have come into contact are all fairly young and at the same time men of apparent competence.

In order to elevate the cadres' management competence and business competence, Weihai has paid great attention to training these cadres from the ranks of the workers. For instance, not very long ago the second bureau of light industries ran a study class for plant directors (to have them take turns to go through 10-day training periods while away from their production posts), and invited comrades of the bureau with business competencies to explain to them certain expertise in finance, accounting, and statistics. Meanwhile, the bureau also regularly organizes inspection teams and sends them to the various units to inspect their accounts, their income and their expenditure, and thereby supervise and concretely help the various plants to improve their management and control.

Since the collective enterprises enjoy more or less autonomy in management and control, their understanding is quite clear as to why the basic task of socialist enterprises is to increase social products, enlarge socialist cumulation, and improve the welfare of the employees and workers; hence, cadres of the enterprises have always spent their main energy on grasping production, their entire management organ is usually also cut down and simplified, and their accountability system is also fairly sound.

III. Several Problems Worthy of Study

1. The Problem Concerning the Nature of the "Big Collective" Ownership System

Now we need to discuss the so-called "big collective" ownership, i.e., the nature of the ownership system of those cooperative plants which emerged in large numbers upon the basic completion of the socialist transformation of handicrafts. But the "big collectives" today are even broader in their foundation and more extensive in their jurisdiction than the cooperative plants of those earlier days. These "big collectives" occupy an important

position among today's collective industries; their nature is of course socialist. But it is still quite a complicated task to try to concretely analyze the nature of its ownership system; people still have different views, and hence it is still necessary for us to have discussions.

When Comrade Mao Zedong spoke of the future of the development of handicraft cooperatives in 1956 in the article "Step Up Socialist Transformation of Handicrafts," he said, when the foundations of the cooperatives have become strong enough, "by that time, the cooperatives will be owned by the collective in form but in reality by the whole people." From the situation in Weihai, the ownership system of today's "big collectives" appears to be really quite a distance away from collective ownership in the comprehensive sense, but rather close to ownership by the whole people which comes out in the form of state ownership. This is reflected in: (1) From the point of view of ownership, neither the plants as production units, nor the bureau of industries in charge of those plants, have the discretion to dispose the means of production of these "big collectives" (to sell or to transfer); this is no different from the situation with the state-managed enterprises under the existing system. (2) The supply, production and sales and wage arrangements of these units are basically controlled and decided by administrative organs of the state; the leadership the state exercises over the production plans of the "big collective" enterprises is also basically the same in respect to the state-managed enterprises under the existing system. The production plans of Weihai's "big collective" industries today are mostly directly assigned by relevant departments of the state; the main raw materials they need are mostly supplied by the state according to plan (including processing of accepted materials in foreign trade); their production is mostly incorporated in the provincial, regional and local plans; their products are mostly entrusted to the commercial department to sell, and only small portions thereof are subject to sales efforts of their own (including products which state-managed commercial enterprises originally want but later no longer want, so that they have to sell these by themselves). The relationship between these production units and the responsible departments in charge of them is also very similar to the relationship between the state-managed enterprises and the responsible departments in charge of them, both being between the leading and the led, with the expenditure of the latter all granted by the former, and the income of the latter also all submitted to the former. (3) The compensation received by the employees and workers under this ownership system, whether in form or in level, is also no different from the state-managed enterprises. From the point of view of the individual employees and workers, working at these units is entirely the same as working at the state-managed enterprises.

The difference between these "big collective" units and the state-managed enterprises is mainly reflected in that, under the existing management system and management methods, their fixed capital equipment is provided not by funds directly allocated by the state as investment but by their own cumulation, that is, the part of surplus products created by the

employees and workers of these collective units--profits left after tax is handed into the state treasury. Meanwhile, compared to the management system of the state-managed industries, the management system and management methods of this "big collective" at present are more flexible, with greater power, however, concentrated in the local bureau in charge of it.

Then, what kind of ownership is this "big collective" ownership? We hold that it actually is a local ownership system of a socialist nature that adopts the form of ownership by the local administration. Because, whether by looking at the ownership of these means of production or by looking at the right to manage, control and use them, the main power lies invariably with the administrative organs at the municipal level. The collective of laborers at these units enjoys no power to directly manage or control the means of production of the enterprises. In reality, leaders and relevant departments of Weihai municipality also take these "big collective" units as municipal enterprises, as they call enterprises operated by the streets and communes in the countryside all sub-municipal collective enterprises or commune enterprises, but they call "big collective" enterprises municipal enterprises. Therefore, there is a trace of certain collective ownership left in these collective production units only in contrast to the state-managed enterprises at present, in reality what they have is no longer, or basically no longer, collective ownership. If we insist on calling it collective ownership, then, the extent of this collective is no longer limited to the enterprise units but inclusive of all laborers in the system of the responsible bureau of industries. And even in the case of the system of the responsible bureau of industries, its collective ownership is no longer complete. For instance, as has been stated above, when Weihai carried out reorganizations in 1977 and 1978 to have various trades subsumed under separate systems of enterprises according to their established status, certain "big collective" enterprises were transferred from this bureau of industries to that bureau of industries. Therefore, to say that Weihai does not effect horizontal transfers between the "big collective" enterprises means only that it does not transfer the funds and equipment from such "big collective" industries to be used on other things. As for allocating jurisdiction between responsible bureaus within the municipality, such transfer does still take place.

All the above is predicated on the actual situation at present. From the developmental point of view, if these "big collective" industries can separate themselves from the administrative organs and become genuine big collective enterprises in name and in substance, free themselves from the direct transfer of their personnel, financial assets and materials and from the direct interference in their economic affairs such as production, supply and sales by the various levels of administration, actually safeguard their autonomy, carry out their independent accounting, be responsible for their own gains or losses, effect their democratic management: then the nature of their collective ownership would become more evident than it is at present and would also more vigorously promote the development of their production. The broadening of the degree of commonality of the collective

ownership system, be it from small collectives to big collectives or from big collectives to even bigger collectives, should not be realized by letting the various levels of administration absorb the collective enterprises progressively upward. Only by adapting to the development of productives, by attempting such progressive expansion on the basis of employees and workers of the collective enterprises willingly associating themselves level after level in an upward direction, would it be possible for us to prevent others from attempting a "transition in poverty" level after level in a downward direction, to prevent the horizontal transfer of funds and equipment from collective enterprises for use on other things, and thereby genuinely broaden the degree of commonality.

2. The Problem Concerning the Management System and Organizational Form of the "Big Collective" Ownership System

As pointed out above, the ownership, the management power and control power over the means of production of "big collective" industries in Weihai are all basically concentrated in the municipal bureau of industries. In the specific case of the second bureau system, they are concentrated in the second bureau of light industries, and the present second bureau of light industries not only has executed the administrative function by which some local administrations control the economic units of production, but it has also executed the management function which an enterprise, as a composite big economic unit, cannot do without. These functions are reflected in the following:

- (1) The bureau carries out uniform and independent economic accounting, and assumes the uniform responsibility for gains or losses within the bureau as an independent unit; the plants also carry out their own accounting, but they are not responsible for their own gains or losses;
- (2) The bureau uniformly arranges and organizes the supply, production and sales of its subordinate enterprises (concrete business activities being centered at the plants and enterprises, important decisions all being made by the second bureau of light industries);
- (3) The bureau carries out both productive and non-productive capital construction activities. Of productive capital construction, activities pertaining to the use of investment on building new, or expanding old, enterprises must all be determined by the municipality and the second bureau of light industries. Of non-productive capital construction, activities including the building of employee dormitories, employee hospitals, and kindergartens must all be determined by the second bureau of light industries, with the bureau itself making the needed investment directly;
- (4) The bureau uniformly organizes the coordination of production between the enterprises as well as necessary forces for the development of new enterprises, and so on.

This way, the municipality's second bureau of light industries has in reality already partly become a trust organization. But because these particular functions are mixed with its functions as a local administration, it cannot more distinctively independently play its role any further; more importantly, because it is itself a component part of the state's administrative organs, it cannot resist any administrative interference from above which does not accord with economic laws. Therefore, we may consider whether we can simply change it into an associated company of the second bureau of light industries of Weihai, and run it according to the requirements of such an associated company as an enterprise: perhaps this would even further facilitate the development of production.

This necessity of changing the second bureau of light industries into an associated company has been felt also by some leading comrades in the second bureau and the municipality of Weihai as a whole. But they are of the opinion that conditions are not yet entirely present. The main reason is that those above assume no responsibility according to established status, and there are too many trades and establishments below. Another reason is that, if the bureau is reorganized into a company in the nature of an enterprise, there would be no longer anyone in the municipality who would speak in their behalf and, as a result, many problems would also be hard to solve. Therefore, they are thinking of establishing a company or a main plant under the second bureau of light industries to organize uniformly the supply, production and sales activities of its subordinate enterprises. We hold that those above assuming no responsibility according to established status as a reason seems rather insufficient, although there being too many trades and establishments below is a fact. But, in view of Weihai's present situation, "big collective" enterprises belonging to the second bureau of light industries are generally not very big; all the plants number little more than 20, and all the employees number little more than 5,000. If, according the differentiation of trades, specialized production companies or main plants are established, then under each company or main plant there would be only two or three, or at most four or five branch plants; this would simply increase some organs in between, and may thus not be necessary at all. Therefore, our opinion is that organizing an associated company in the name of the second bureau of light industries is still better. As for the difficulty that, after the company is organized and established, no one would speak in their behalf within the municipality, it touches upon the entire economic management system today, and a solution can only be very difficult to come by. In view of objective needs, perhaps all localities must establish uniform organs and organizations to manage the collective economy of cities and towns in the future, so as to strengthen our collective economy management system. These opinions are not very mature; they represent only our incipient thinking.

Besides, if an associated company is established, an appropriate division of powers should also be carried out between the company level and the plant level. We should absorb certain good approaches we adopted when we ran the handicrafts federation, and pay attention to exploring the

enthusiasm of the constituent plants. We must practice democratic management, and cannot concentrate all powers in the superior level or control the plants too rigidly. In particular, profits realized at the plants cannot be all concentrated in the company so as to deprive the plants of their shares or deny them any flexibility. Because, if there is no differentiation of the plants into good ones and bad ones, this would not only fail to mobilize the good plants' enthusiasm but even restrict their enthusiasm. And if the plants should wish to take the initiative to do some things to facilitate their production, they would also be unable to do them because they would have no money. Some of the plant officials we met all expressed strong opinions about this. Such a situation would in turn affect the development of production and also any increase in income. Hence, a division of powers must be carried out. Taking the concrete distribution of profits as an example, the question as to what percentage should be concentrated in the company and what percentage should be left with the plants needs to be concretely studied and defined through negotiations between the company and the plants. Be it the part left with the plants or the part concentrated in the company, the main part must still be used on the development of production, and only the rest may be used on operating welfare enterprises and as reward money. The overall principle underlying these approaches should be that collective enterprises should be more flexible than state-managed enterprises, and the flexibility and power for the lower level should be enhanced.

3. The Problem Concerning How the Upper Structure Should Adapt to the Needs of the Economic Base

This problem is very big, and cannot be solved all in one stroke. But from the reports we heard during our investigation, the problem is also very serious. That is to say, certain links and aspects of our upper structure really tend not to promote the development of productive forces but to restrict and hamper the development of productive forces. Today, the strongest opinion of people below has to do with the labor management departments; it is said that their control over labor power has been too rigid, and their control over reward money in some cases seems even preposterous.

Here let us talk only about the latter aspect of the problem. Viewed from the situation in Weihai, before the present wage system can be considerably changed there is likely a great effect on the mobilization of employees' enthusiasm if reward money is adroitly used. And the key to better use of such reward money is to strive as much as possible to realize the requirement of the law "to each according to his work," so that those who work more get more, those who work less get less, and those who do not work get nothing. Take Weihai's carpet plant No 1 as example: in 1978, when this plant just started to effect a reward money system, the method adopted to determine such rewards was end-of-the-month appraisal and comparison. Not only did this method easily result in disunity between the employees and workers, but people's tendency to subscribe to

egalitarianism was still very serious. Hence, since February 1979, they adopted the method of giving reward on the basis of quota-overfulfillment. The practice was to take a team as a unit; the team that reached the quota in the fulfillment of its plans would be given 2 yuan for each of its members; the more an individual member exceeded his quota, the more he would also be rewarded. This on the one hand made everybody pay attention to the collective fulfillment of plans, and on the other hand imposed no restriction on the individual. After this method was put into practice, each member of a team, in the best of circumstances, could get more than 20 yuan each month. It effectively mobilized the workers' enthusiasm in production. Consequently, after this rewarding method was put into practice, the quota-fulfilling situation became better and better each month. But, at the end of April, the municipal labor bureau suddenly issued a notice to forbid the various plants from giving out any reward money each month; instead, it changed the practice into one of giving out reward money only each season. The reason given was that uneven production from month to month must be avoided, since there was apprehension that in one month there might be rush work to exceed the quota, while in other months plans might not be fulfilled. Once this new regulation was promulgated, workers all murmured that after I worked so hard for a month and after I exceeded the quota, I still would not know whether I could get any reward. Hence, their zeal was baffled, and productivity immediately decreased. For instance, the carpet-weaving workshop over-produced 43 square feet in January, 89 square feet in February, 157 square feet in March, and 174 square feet in April; but after the practice was changed into one of giving out reward money only each season in May, it over-produced only 71.68 square feet that month, and in June over-production was reduced further to only 24.8 square feet, lower even than January. In reality, the labor bureau's reason was untenable. So long as the policy of the superior level was relevant, which plant would not be willing to fulfill its plans each month!

Take another example: Weihai's plastics plant No 2 has always done well in fulfilling its plans since its establishment, and the economic technical standards of its two main products (synthetic leather and fishing-net silk) are the best in the province. When the quality of its synthetic leather was appraised and compared to products of 64 similar trades in the whole country in 1978, this plant was listed No 4. In 1978, too, it achieved the historically best level in 8 categories of economic technical standards in its own field and in similar trades in the whole province, with each worker creating an average of 4,840 yuan of profits; it was therefore praised in the province as a Daqing-type enterprise. According to established regulations, this plant should draw some reward money. But the municipal labor bureau did not approve, and the reason given in 1978 was that it had too many temporary workers (in reality, in the case of Weihai, having too many temporary workers was not unrelated to the labor bureau's own unreasonable regulations of a certain type); in 1979 it was said, this time, that they had cumulated a stockpile of their products (stockpiled were only fishing-net silk products, because water products departments had set up a plant elsewhere to produce these things for

themselves and hence would no longer purchase products from plastics plant No 2). Therefore, even though this is a Daqing-type enterprise and it has done well in fulfilling its plans, since the reward money system was put into practice in 1978, this plant has not been able to take advantage of this system. People all think that, in the case of workers who have done well and made contributions at this plant, material rewards should be given to them; but because there has been no money, no reward was given. Therefore the general reaction below is that the labor bureau's practices of this kind have been erroneous. Also, since the municipal labor bureau did not go down to the operational level to investigate and study, the ideas it proposed could hardly correspond to reality.

Apart from the foregoing, problems as to whether the starting point by which the state taxes the industries under collective ownership is too low and whether the tax rate in question is too high should also be studied for the sake of bringing about improvement.

If solutions to the above problems can be satisfactorily devised, the development of big collective industries is surely going to be even faster.

The fact of rapid development of Weihai's "big collective" industries poses a question to us: if "big collective" industries in other localities can also develop like those in Weihai and even overcome the shortcomings that still exist in the management system of Weihai's "big collective" industries, and if industries under ownership of the whole people can also enjoy the powers and developmental speed of such "big collective" industries, then, would it not be possible for the development of our national economy and realization of our four modernizations to become considerably accelerated? It looks as though, while we seek to study and reform the management system of the economy under ownership of the whole people, we may very well be able to find some experiences and instances in the actual conditions beneficial to production development under the management system of the "big collective" industries which are worthy of reference and borrowing elsewhere.

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GENERAL ECONOMIC INFORMATION

BRIEFS

LIAONING ELECTRONICS INDUSTRY--The total electronics industrial output value of Liaoning Province for the first quarter of 1980 reached 285 million yuan, up 31.3 percent over the same period last year. [Shenyang Liaoning Provincial Service in Mandarin 1100 HMT 3 Apr 80 SK]

JIANGXI DAQING-TYPE UNITS--With the approval of the Jiangxi Provincial CCP Committee and the Jiangxi Provincial People's Government, 377 units in the province were presented with the certificates of daqing-type enterprises. Recently, Fu Yutian, secretary of the Jiangxi Provincial CCP Committee and vice provincial governor, presided over the conference to elect the daqing-type enterprises. The common characteristics of these daqing-type enterprises are: their standards in examinations are advanced; their economic results are outstanding. [HK151225 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 10 Apr 80]

TIANJIN WATER SUPPLY--As of 31 March, a planned water supply will be imposed on factories and enterprises which required 50,000 tons or more of water a month. This is being done to insure the necessary water for industry and the people. According to statistics of the units concerned, water consumption for industrial production accounts for 60 percent of the total water consumed throughout the municipality. Most of the industrial units do not have plans for water consumption. Irrational consumption and waste are serious. Therefore, strengthening the management of the industrial use of water is the key point of the municipality in the planned and economic use of water. The people throughout the municipality must continue to pay attention to consuming water economically. [Tianjin City Service in Mandarin 2330 GMT 31 Mar 80 HK]

HEBEI INDUSTRY--In the first quarter of 1980, the total value of industrial output in Hebei increased by 11.4 percent over the corresponding period for 1979, reaching the highest level ever recorded in the same period of the year. Industrial production in Shijiazhuang, and Tangshan municipalities and Handan, Xingtai, Shijiazhuang, Tangshan and Lanfang prefectures increased by 10 percent, the output of light industry increased by 23.3 percent, doubling the average increase in industrial output throughout the province and surpassing that of heavy industry. [Shijiazhuang Hebei Provincial Service in Mandarin 0430 GMT 4 Apr 80 HK]

CSO: 4020

FINANCE AND BANKING

'JINGJI GUANLI' DISCUSSES VALUE ADDED TAX

HK221120 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 1,
15 Jan 80 pp 15-18

[Article by Han Shaochu [7281 4801 0443], directorate general of taxation,
Ministry of Finance: "A Tentative Discussion on the Application of the
Value Added Tax"--passages in slantlines denote boldface print]

[Text] In restructuring the taxation system on industry and commerce,
the departments concerned are paying close attention to the possibility
of applying a value added tax. This tax is considered an important
item in restructuring the taxation system and is a topic of investiga-
tion and research. I wish here to present my humble views on this
question.

I

The value added tax was one of the tax categories instituted in France
in the middle 1950's. Over the past 20 years, it has received the
increasing attention of countries of the world. Up to the present, it
has been in force in more than 20 countries in Europe, America and
Africa, including members of the European community. It has become one
of the principal taxes of these countries.

This tax is a development and improvement on the original business tax.
It is different from the business tax but embodies certain of its special
features. Hence, some countries still give it the name of business tax
and call it the new business tax or tax on net business volume. What is
worthy of note is that since the business tax has been in application in
some countries for several decades or perhaps even longer and has become
an important tax revenue customarily collected, why change its name to
a value added tax? What points of superiority does the latter have over
the former? This problem is well worth probing.

If a comparison is made of the two taxes, it may be found that their
common point is that the taxpayer is the enterprise or individual
engaged in business activities. As to the difference between them, the
principal one is the important improvement on the basis on which the tax
is levied. It is a shift from levying the tax on the total business

volume of the enterprise or individual as done in the case of a business tax to levying the tax on the portion of value increments in the business volume. According to the latter method of levying the tax, in reality it is dividing the business volume of the enterprise into two portions: one is the portion on which there is no value increment and on which no tax is levied. This includes what the enterprise purchases from other enterprises such as raw materials, materials, fuels, motive power, easily consumed articles or low value and spare parts as well as expenses. Generally speaking, it is a portion incurring past labor. The value of this portion has been transferred from the preceding production stage and is not created by the current enterprise itself. Besides, it has already been taxed in the preceding business stage and is, therefore, no longer subject to the value added tax. The other portion is the value increment itself, that is to say, the portion subject to the tax levy. This includes the wages, interest, profits and so forth of the enterprise. Generally speaking, this is the portion of newly added value created by new or current labor. It is the newly added value of the enterprise. No tax was levied on it before. Hence, it is now subject to taxation. From this it can be seen that the biggest difference between the business tax and the tax on the value increment is that under the former no deduction is made of the portion of the business volume handled in the preceding business stage(s) which was already taxed. The tax is levied on the gross business volume, while under the latter the portion of the business volume already taxed is deducted with the tax being levied on the untaxed portion of the business volume of the enterprise--the portion of the value increment.

What is the significance of this change from taxing the gross business volume to taxing only the value increment?

/First of all, it resolves a basic defect in the original tax system--the problem of imbalance in tax burden--and enables the tax system better to suit economic development./ Some people call the original business tax a "multistage ladder-type" tax, levying the tax on the total volume of business done in different business stages. From production to consumption, a product goes through different production stages, each of which is subject to tax. The tax levy increases correspondingly with an increase in the number of production or business stages. Let us illustrate: a certain article is produced by these plants in cooperation. Plant A produces parts worth 300 yuan and sells them to Plant B. At a business tax rate of 5 percent, it pays a tax of 15 yuan on the business done of 300 yuan. Plant B works on the parts and turns out a semifinished product worth 600 yuan which it sells to Plant C. It then has to pay a business tax of 30 yuan on the business done of 600 yuan. In turn, Plant C turns the semifinished product into a finished one which it sells at a price of 1,000 yuan. Plant C now pays a business tax of 50 yuan on the business volume of 1,000 yuan. Through all the three stages of tax payment, total taxes paid amount to 95 yuan and the actual tax burden is 9.5 percent. However, if this article worth 1,000 yuan is produced from beginning to end by one enterprise only, the tax is levied only once and amounts to 50 yuan. The actual tax burden would be 5 percent. We can thus see that

if the same product passes through only one business stage, it is subject to a tax burden of 5 percent; but if it passes through three business stages though working in mutual cooperation, it is subject to a tax burden of 9.5 percent, or a difference of nearly 100 percent. If there is an increase in the business stages, then the tax burden will be correspondingly increased. Obviously it is irrational that a mere change in the production structure manufacturing the product should bring about such a disparity in the tax burden. We hear the saying that rationality is the "soul" of taxation and that irrationality does not reflect a correct taxation policy, cannot effectively regulate revenue receipts and has negative effects on economic development. We are aware that what kind of production requiring what kind of production structure is determined by objective economic needs. To adjust the production structure in accordance with such objective needs is the demand of socialist large-scale production. Moreover, with the advance in science and technology, the kinds and categories of goods will grow and the division of labor will become more and more minute. Production will need to follow the direction of specialization and coordination. But, as mentioned above, a change in the production structure will bring about a change in the tax burden. The more the number of links or stages in specialized coordination, the heavier the tax burden. The results will be that "big and comprehensive" enterprises will have a light tax burden while enterprises engaged in specialization will have a heavy tax burden. Big enterprises engaged in centralized production will have a light tax burden whereas medium and small enterprises engaged in scattered production through coordination and cooperation will face a heavy tax burden. This is inconsistent with the demand for industrial readjustment and specialization. It runs contrary to the principle calling for the coexistence and simultaneous establishment of large, medium and small enterprises and does not suit the present economic situation. At the same time, such a tax burden is unjust. It will not be possible to compare the same kind of products manufactured by different enterprises. In turn, it has negative effects on the efforts to strengthen business accounting and to promote socialist competition in production and business management among enterprises. It is a fundamental defect of the original tax system.

With the changeover to the value added tax, although each business stage is still subject to tax payment, yet because the portion of the business volume already taxed will not be taxed again, it does away with the contradiction that the tax burden increases with an increase in the business stages. This makes possible the same kind of products maintaining a balanced or fixed tax burden regardless of changes in the production structure or whether they are produced by "all-comprehensive" plants or noncomprehensive plants. To cite the above example again: assuming that the rate of the value added tax is still at 5 percent, Plant A's business volume of 300 yuan, not having paid any tax, is subject to a tax levy of 15 yuan. Of Plant B's business volume of 600 yuan, tax was already paid on 300 yuan and the resultant value increment of 300 yuan is subjected to a tax of 15 yuan. Of the business of 1,000 yuan under Plant C, tax was already paid on 600 yuan and the value increment, being 400 yuan, is subject to a tax of 20 yuan. Altogether, the three business stages paid

a tax of 50 yuan. If a single plant turning out the same product of 1,000 yuan and did not pay any tax before, it has to pay a tax of 50 yuan. In this way, the same kind of product, turned out by two different types of production structure, is subject to the same tax burden of 5 percent. This removes the irregularity in the tax burden arising from changes in the production structure. It is beneficial to the readjustment of the industrial production structure according to objective needs. It makes the tax burden rational and facilitates economic development.

/Second, taxing only the value increment removes the phenomenon of the original tax system not being linked closely with the business results of the enterprises. It serves the purpose of joining closely together the economic interests of the state and the enterprises. It helps enterprises cut down on the consumption of materials and increase their business earnings./ Levying the original business tax is done on the basis of the business volume of the enterprise. Changes in the volume of the tax revenue depend on corresponding changes in the volume of business of the enterprises. The taxation is primarily interested in the fulfillment of the targets of production and marketing which are directly related to the business volume. If these two targets can be fulfilled, the tax volume is insured. In collecting the business tax, frequently little attention is paid to such questions as whether the consumption of materials of enterprise has increased or decreased or whether the net income of the enterprise has gone up or down or what actually are the business results. This gives rise to two possible consequences. One is that the taxation department is not at all concerned with the economic activities of the enterprise and does not care whether the enterprise reduces its consumption of materials or increases its business earnings. The other is that to a certain extent taxation is out of joint with the good or bad results of the business activities of the enterprise. This is harmful to coordinating the common interests of the state and the enterprises.

With the value added tax in effect, the basis of the tax levy is the amount of value increment of the enterprise. This joins the revenue receipts of the state closely with the accomplishments of the enterprise. It has the following good points: First, if the tax organs wish to open up revenue sources and increase revenue receipts, they must help enterprises increase their value increments, binding the interests of the two parties together. Second, an increase in value increment is determined not only by the quantity target of production but also by its quality target, since only through achieving the prerequisites of continually lowering the consumption of materials and improving labor productivity can there be any increase in the value increment. This serves the useful purpose of making the taxation organs become fully concerned with the economic activities and business results of the enterprises and, in turn, makes public finance fully display its function of promoting the development of the economy. Third, coincident with the increase in the value increment, the state, the enterprises and the workers and employees will all enjoy a corresponding increase in revenue or income just as "the river rises the boat goes up." In this way the interests of all the parties concerned are

cared for. At the same time, since relatively speaking taxation takes away but a small portion of the value increment, the enterprises will derive larger benefits along with increases in the amount of the value increment. Therefore, given identical conditions, whichever enterprise achieves a larger increase in value increment reaps larger benefits. In turn, it means that the good or bad results of the business operations of an enterprise are actually the vital interests of the enterprise. This encourages the enterprises to engage in socialist competition in production and business management. It makes them devote their utmost efforts to tap potentials, push the development of their business and ceaselessly improve their economic accomplishments.

/Third, the value added tax resolves the contradiction of the original tax system not being compatible with the development of export trade./ Instead, it actually serves to promote export trade. The original tax system makes it difficult to promote export trade because similar products differ from each other in the number of manufacturing stages they have to go through and, hence, in their tax burden. To improve the competitive power of products in the international market, many countries follow the practice of giving tax refunds to goods for export, that is to say, the goods are offered on the international market at tax exempt prices, thus enjoying an advantageous position. Because it is difficult to determine the exact amount of taxes included in the prices of products, estimates or averages are used to work out the amount of the tax refund. This again cannot avoid the two following phenomena: one is that the tax refund exceeds the actual amount of the tax paid. In this case, the refund is tantamount to a government subsidy and affects adversely the revenue receipts of the state. The other is that the tax refund is not large enough and the products suffer adverse effects in the international market. Neither of the above reflects a sound taxation policy.

In applying the value added tax, it is stipulated that the invoice of the goods must show the amount of taxes paid. In this way, the amount of taxes paid on each consignment of goods can be easily and accurately determined. This solves the difficult problem the original tax system bestows on export trade. It is beneficial to promoting the development of a country's external economy.

It can be seen from the above that the shift from taxing the gross business volume to taxing only the value increment represents an improvement in the taxation system. This is fundamentally the reason the value added tax is being given increasingly important attention internationally. Undoubtedly, this improvement embodies important significance in that it is adaptable to high-speed development of the economy, promotes and activates positivism in business operations and expands international economic intercourse.

II

Although the value added tax has many good points, is its application at all possible in restructuring the present taxation system on industry and

commerce in our country? We would say that such a possibility exists. As we know, the industrial and commercial tax that is now in application in our country grew out of a complicated tax system at the early stage of the founding of the republic when there were many categories of taxes and when taxes were sometimes levied several times on the same object. It came to the present form after having been reformed, simplified or amalgamated many times. Insofar as state-operated enterprises are concerned, the industrial and commercial tax is the only kind of tax they are subjected to. A casual examination of this form of tax can easily disclose that it is the consolidated form of a number of taxes. Its main component parts are the original goods tax, levied on products and the original business tax, levied on business activities. These two kinds of taxes make up its main structure, and it has their special features. Hence, the defects of a "multistep and ladder-type" tax found in the business tax likewise exist in the industrial and commercial tax. Moreover, since these two kinds of taxes are joined together as are their tax rates, the cumulative effects make the tax burden rather heavy. To equalize the tax burden, certain makeshift measures have to be taken. As an example a low tax rate is levied with the tax on packing exempted when the same product undergoes processing. Another example is that the tax rate leviable at the intermediate channel is adopted when a product has to go through several production channels, but the problem is still not solved. On the contrary, following our country's industrial reorganization and the readjustment and changes in the industrial production structure, the contradiction between this form of taxation and economic development becomes more and more acute. Two trends of development now appear to be possible: in the readjustment process, if production of the same product is shifted from a "big and comprehensive" plant to units engaged in specialized production, then the addition of more coordination links will mean more and a heavier tax levy. The more minute the division of labor and the more the number of links in coordination, the heavier the tax burden. It follows then that development in the direction of specialization in production is discouraged or hindered. Next, in the readjustment process, if several enterprises are amalgamated into one single organ under unified accounting and unified management, then the many tax-paying units will be replaced by one single unit. The tax burden will become smaller. What used to be tax payments to the state will, because of the readjustment, become the profits of the unit. The revenue of the treasury will miss the factor of stability. At the same time, accompanying the growth of external economic intercourse, the present method of levying the industrial and commercial tax on export commodities is becoming increasingly inconsistent with the objective need of expanding export trade. In particular, in the case of consumer goods subject to a high tax rate such as wristwatches, electric fans, cosmetics and so on, some of them are no longer exportable because the tax rate is too high and the export subsidy called for is too big. This gives rise to an increasing demand for tax refunds on export articles which has become a problem for urgent attention. However, because the industrial and commercial tax has the features of a tax of the "multistep and ladder-type," it is difficult to determine how much tax a product has actually paid when going through the various channels. This becomes a dilemma facing tax refund on

export commodities. All the above illustrate that the current industrial and commercial tax is inconsistent with the need for economic development and must be renovated. Hence, it is natural and necessary to consider the application of the value added tax as a measure to restructure and improve the current industrial and commercial tax. Such a measure will resolve the many practical problems of the current system of taxation. It will make the tax system suit the current economic readjustment work and meet the needs of expanding economic intercourse with foreign states. It will also make the tax system beneficial for promoting production-increases of enterprises, lowering their consumption of materials and increasing their business accomplishments.

There is one point here which should be noted. The industrial and commercial tax is a consolidated tax comprising several tax categories whereas the value added tax is a tax category by itself and performs its functions under particular circumstances. For this reason, the portion of the industrial and commercial tax levied at a specially planned rate on products such as tobacco, liquor, cosmetics and so forth should be retained as a tax on goods. Levying of this tax, if suitably joined with the price factor and in conjunction with the working of the law of value governing commodities can regulate the production and consumption of these products. Restructuring the industrial and commercial tax can be carried out well only by applying different tax categories so that with the taxes coordinated with each other each may perform its assigned role well and make good use of its special attributes.

To insure the possibility of applying the value added tax, attention must be directed at the problem of methodology. Some people have expressed the view that although this tax has its good qualities, yet computing the tax is rather complicated. This does not agree with the present level of tax assessment work in the country. Hence, the possibility of the application of this tax is refuted. Let us now analyze if it is at all complicated. As we all know, computation of the business tax is rather simple. All that needs to be done is to multiply the business volume with the tax rate. In the case of the value added tax, is it possible to multiply the amount of the value increment with the tax rate? In theory, this should be possible. Actually, there are two methods to find the amount of the value increment. One is to add together all the factors leading to the value increment of the enterprise. This is known as the addition method. The other is to deduct the factors not contributing to the value increment from the total business volume. This is the deduction method. But we must point out that regardless of which method used we must discover those factors contributing to the value increment or those factors not contributing. We must also examine these factors to see if they reflect actual conditions. In practice, this is a rather complicated matter. Besides, to determine the amount of value increment or non-value increment of an enterprise usually has to wait until the statement of accounts of the enterprise is ready. This, however, runs contrary to the concept that tax payments must be on time. This being the case, is it possible to take the past records of an enterprise as

a basis and fix the ratio between the amount of value increment and the business volume or the ratio between the amount of non-value increment and the business volume, and derive therefrom the amount of the value increment for tax computation? Certainly, this can be done but first the amount of the value increment thus obtained is not a real one and the concept of exactness in taxation is lost. Second, the ratio worked out will be different for each of the enterprises. It must be subjected to readjustment. Therefore, not only can its accuracy not be controlled but also a rather complicated procedure is involved. From this it is seen that although the value added tax is a rational tax, yet if the methodology involved is "too complicated," then it is questionable if this tax is readily applicable. What method then may be used in assessing this tax? From all available information, it appears that all the countries adopting this tax use the tax-deduction method. According to this method, the gross business volume of the enterprise is multiplied by the tax rate (rate of the value added tax) to discover the amount of the tax payable from which is deducted the amount of the tax(es) paid in the course payable by the enterprise for the period is thus obtained. This is possible because the regulations require that the amount of the tax paid must be shown in the invoices of the materials and parts purchased by the enterprise. All the enterprise has to do is to add up the taxes paid as shown in the invoices to discover the amount of taxes to be deducted. This method obviates the necessity of first finding the amount of the value increment. It is, therefore, much better than the other method of first working out the amount of the value increment. True, compared with the method of computing the business tax, one additional step is needed but generally speaking the procedure is a simple one. If the African countries of the Third World can do well in handling this method of assessing the tax, our country, at its present level of accounting technology, can certainly do likewise.

To do well in restructuring the industrial and commercial tax system so that it fits in with the basis of the economy and meets the needs of development of the productive power is a matter of great importance. Whether the value added tax can still be applied has many problems which need further study and research. The views mentioned above may perhaps be one-sided. Comments thereon are welcomed.

CSO: 4006

HEAVY INDUSTRY

MACHINE BUILDING INDUSTRY DISCUSSED

HK281335 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 2,
15 Feb 80 pp 19-20

[Jiangsu Provincial Bureau of Machine Building: "What Should the Machine Building Industry Do After Its State Targets Have Been Reduced?"]

[Text] In readjusting the national economy, it is inevitable that the production targets of some departments and enterprises will be reduced. Generally speaking, the production level of our country is still very low and that production capacity lags behind demand. The national economy cannot but be readjusted because it is out of balance as is the situation between the production of goods which are in short supply and the production of those that exceed demand. Because production departs from demand, products are often in short supply while production capacity is not used. To solve this problem, some enterprises will be closed, suspended, integrated or diverted to other production. At the same time, it is also imperative to combine production regulation with market regulation and to change the method by which production units solely work on targets assigned by the state. The departments and enterprises with not enough production targets must change their situation of "waiting to eat" to "working to eat," strengthen management and strive to find more ways of production. It is a bad thing not to have enough production quotas. This situation must be dealt with positively and turned to the better. In this way, enterprises will pay attention to study the market and, proceeding from reality, develop their products, improve quality and efficiency and lower production costs to advance forward in readjusting the economy. The following article is intended for reference.

The machine building industry has been assigned very few production quotas by the state this year. Quite a few enterprises of the Jiangsu provincial machine building industry do not have production quotas. What then is to be

done by such enterprises? The provincial machine building bureau recently held a seminar for the directors of the province's regional and municipal machine building bureaus. The comrades who attended the seminar put forth the following eight proposals:

First, turn out products that are in short supply and fill in the gap between production and demand. A number of regions and municipalities have analyzed the products of the machine building industry and decided to spare no efforts in turning out products in short supply and to fill in the gaps. The machine building bureau of Suzhou Municipality has concentrated its efforts in producing 5-ton forklifts, electric meters, theodolites, ventilation facilities, and guided sprayers and tourist buses that are in short supply. The Nanjing Municipal Instrument Bureau has taken measures to increase the output of biological microscopes and film projectors to meet demand. The machine building bureau of Wuxi Municipality has planned to define the quality of 40 varieties of new products this year before it begins mass production.

Second, increase the output of export oriented products. Enterprises that have been assigned to make products for export must work hard to serve well the users so as to gain confidence from foreign buyers and increase exports. Those that do not have production quotas for export must dare to compete with strong rivals and create conditions to enter international markets.

Third, serve the market for light industrial products and people's daily livelihood. In addition to providing textile and light industries with equipment, the machine building industry must also be active in producing light industrial products. Foreign statistics show that the types of electric appliances alone number 200, having 1,000 specifications and over 10,000 varieties. Jingsu provincial machine building enterprises trial produced 23 types of electric appliances in 1979. Evidently, there is room for many industries to cooperate in producing and marketing badly needed light industrial products.

Fourth, organize more factories in producing machine parts in a planned way. Existing enterprises must tap their potentials to increase productivity in a short period and mass produce complete machines that are badly needed by the state. At the same time, it is imperative to organize cooperation among factories or to have big factories cooperate with small ones in producing accessories. More than 10 factories in Suzhou Municipality have cooperated in producing 5-ton forklifts. Similar measures have been taken by the Nanjing heavy machine building plant. Such measures have resulted in quick production, lower production costs and in enabling a big plant to help promote the production of several small plants.

Fifth, transfer the production of ordinary products. Some backbone enterprises have been assigned with the heavy task of producing wide varieties of products. To enable such enterprises concentrate their

efforts to develop sophisticated products, they must be gradually freed from producing ordinary products. Such products should be made by other machine building enterprises.

Sixth, develop specialized production. In carrying out their readjustment work, a number of regions and municipalities have followed the principle of coordination of specialization. They have set up factories that combine forging, heat treatment, nonferrous metal forging, electric welding, molding and machine repairing.

Seventh, concentrate production. Some light industrial and textile enterprises in Jiangsu Province have been assigned to build some machinery. Because such enterprises have heavy production tasks, some regional and municipal machine building bureaus have transferred the production task of machinery from such enterprises to the machine building enterprises.

Eighth, undertake equipment maintenance and provide technical service. To do a good job in this respect will help increase work by at least 10 percent. The Wuxi compressor plant held a meeting in June last year that was attended by representatives from more than 60 small chemical fertilizer factories. At the meeting, the compressor plant received orders from chemical fertilizer plants for various fittings to a tune of 2.8 million yuan. This was very good experience.

The comrades present at the seminar that was held by the Jiangsu Provincial Machine Building Bureau said that a number of regional and municipal machine building bureaus and enterprises have been working hard to find more production methods. The machine building bureau of Changzhou Municipality is said to have sent staff to study the market situation and find buyers so that it could start making products in short supply and processing goods as early as possible. The Suzhou Municipal Machine Building Bureau held an exhibition on new home appliances in mid-October last year. Twenty factories took part in the exhibition, at which 21 new products, including solar cooking stoves, fans and washing machines, were displayed. The purpose of the exhibition was to solicit opinions from the public and promote the production of home appliances. The Zhenjiang Thresher Factory advertised its products in ZHEJIANG RIBAO on 14 October last year in a bid to fulfill its production quota. Within a week, it received orders from eight units, one of which ordered 300 threshers. The seminar delegates held that as long as the machine building industry emancipates its mind, drops pretentious airs and finds more ways to expand business, it will eventually be able to carry out economic activities well and make progress.

CSO: 4006

DOMESTIC TRADE

STRENGTHENING LEADERSHIP SUPERVISION OF PRICE CONTROL URGED

Municipal General Directive Issued

Shanghai WEN HUI BAO in Chinese 24 Jan 80 p 1

[Article: "Municipal Party Committee and the Municipal People's Government Issue a General Directive: Strengthen Leadership and Supervision of Commodity Price Work; Reorganize the Negotiated Sale and Purchase of Agricultural By-products, Resolutely Stop Excessive Costs and the Unrestrained Raising of Price Standards, Strengthen the Management of Periodic Markets, Ban Illegal Activities, and Protect the Masses' Economic Interests"]

[Text] Recently the Municipal Party Committee and the Municipal people's government issued a general directive on strengthening the management of market prices.

The general directive pointed out that since November of last year, when the Central Committee of the Chinese Communist Party and the State Council decided to raise the sale prices of several kinds of important non-staple foods and implemented the negotiated purchase and sale of some local specialty agricultural by-products, the stability of commodity prices in the Shanghai market has been protected and conditions have been good. But in the most recent period, the control of commodity prices has been relaxed, giving rise to several problems that have an impact on the life of the broad masses, that have an impact on relations between the party and the people, that are injurious to stability and unity, and that are detrimental to the adjustment of the national economy, so that serious consideration by party organizations at each level and the relevant government departments has been necessary, and they have had to choose immediately decisive and forceful measures to quickly rectify and improve the situation. Each department and unit in the whole city must strictly execute the courses of action, policies, and market rules incorporated in the principles of the general directives of the Central Committee of the Chinese Communist Party and the State Council; the decisions of the primary market revolutionary committees and any unit or section must not, on their own, raise the price of market goods that are related to the people's livelihood.

The general directive pointed out the necessity to put right the negotiated purchase and sale of agricultural products and by-products. The sphere of negotiated purchases and sales must be controlled in conformity with the relevant rules of the State Council and in light of the concrete conditions of this city. If negotiated purchases or sales are necessary then they must be approved by the Municipal Finance and Trade Office and by the Commodity Price Bureau and carried out systematically. The kinds of merchandise that are presently being sold by negotiated price will be reviewed one by one. As for the kinds of merchandise that are closely related to the daily life of the masses and are influential in the marketplace (such as Ribbonfish), they will quickly be changed and be supplied at the list price. No industrial goods are permitted to be bought and sold by negotiation. Negotiated-price purchases and sales fundamentally ought to be managed by the trade authorities concerned. Negotiated-price goods should mainly be ordered from non-local organizations by the various municipal companies and agricultural by-products warehouses. Things coming into the Shanghai market on a piecemeal basis should be purchased by the appropriate warehouses, while other units must not compete against them. If there is a need, a warehouse can be commissioned to make the purchase for them. For goods having both a list price and a negotiated price, the portion handled by negotiated purchase and sale ought to be supplied from specialty stores. What is important in the administration of negotiated purchases and negotiated sales is to promote production, to activate the markets, and to satisfy needs without having these used to wring out higher profits. When a negotiated price is used for a type of goods, it is to help develop production and to level and control the periodic market's prices and to compensate for and pull up too small profits.

The general directive also points out: The administration of the prices of goods purchased from other areas should be strengthened, with the prices uniformly examined according to regulations. Because we must resolutely control excessive costs as well as the unrestrained raising of price levels, each concerned bureau of the city should proceed with a one-time and full-scale investigation of each type of price conditions and price standards, from last year on, of the enterprise and business units under their control, and if these are improper, take steps to rectify and improve the situation. Commercial service units all must strictly carry out the government's commodity price policy and observe the commodity price system. The inspection of commodity prices must be strengthened, the price regulations taken seriously, and those units that oppose the government's commodity price policies and injure the well-being of the masses severely judged. If the details of a case are serious, we should impose economic sanctions and investigate who is responsible and take the necessary disciplinary action against the chief responsible cadre.

The general directive pointed out, in speaking of strengthening the administration of periodic markets for agricultural by-products, that in the trade in agricultural by-products of the market area only the conduct of transactions at a designated site can be approved, and setting up stands at will outside of the designated market and peddling along the streets are prohibited.

Market arrangements must be realistically put to right, with the administration of periodic market prices strengthened, proper business transactions protected, and illegal activities punished. Such illegal speculation as the exchanging of gold, silver dollars, foreign commodities, and stocks should be resolutely attacked and disposed of according to law.

Finally this general directive emphasized that market prices directly affect the interests of the broad masses and relate to the important questions of stability, solidarity, and the development of the four modernizations. Now that the markets are in their busy season with New Year soon here, the masses will have an even greater concern for commodity prices in the marketplace. Party and government departments at each level must truly strengthen their leadership and supervision of commodity prices, and use the strengthening of the administration of market prices to help in the important task of promoting stability and unity. Each concerned department or unit of the party or government will strengthen its ideological education of party members and employees, and to fully realize the important meaning of stabilizing market prices, will strengthen its leadership and supervision of commodity prices, will earnestly summarize its experience, and truly improve its work. Each bureau (or communes) in the financial and trade systems under the market will reorganize each market company, based on the spirit of this general directive, and quickly investigate the real situation, truly protect and thoroughly implement party direction and government policy, safeguard the markets' normal order, protect the economic interests of the masses, advance by one step the improvement of market supply work, making a new contribution towards hastening stability and unity, developing good conditions, and winning the first battle in the development of the four modernizations.

Take Price Control Seriously

Shanghai WEN HUI BAO in Chinese 24 Jan 80 p 1

[Article: "Each Level of the City's Leadership Is Paying Attention to the Masses' Opinions; Strengthening the Administration of Commodity Prices Is an Important Matter; They Have Chosen To Realistically Implement Solutions to the Problems of Negotiated Purchases and Negotiated Sales"]

[Text] The Shanghai Municipal Party Committee, the people's government, and the comrade-leaders of each department have personally gone to work to choose realistic measures to solve several immediate problems that have appeared in the negotiated purchases and sales, in order to improve market supplies for the New Year.

In the last several days, the Municipal Party Committee and the comrade-leaders of the municipal people's government have convened numerous conferences to receive the collective reports of the municipal financial and trade departments on the conditions of the expanded negotiated purchases and sales. The immediate conditions were clearly stated: since the opening of trade at periodic markets and of negotiated purchase and sale of agricultural by-products, these have greatly increased in quantity, supplementing and

enriching supplies in the Shanghai market. For over 10 years many kinds of minor agricultural by-products have not been seen in Shanghai, such as small walnuts, dried longan, black mushrooms, dried bamboo, seaweed, and bean-curd skins; now they are again being encountered by consumers. Negotiated purchase and sale both have had a positive effect on making up for insufficiencies in the national supply plans, enriching the people's lives, stimulating the marketplace, supporting the development of agricultural production, and promoting commodity trade between city and country.

But now in these negotiated purchases and sales several problems have appeared that are injurious to the interests of the consumer. The Municipal Party Committee and the comrade-leaders of the people's government take the views of the masses with complete seriousness; the Municipal Party Committee's specialists convened a standing-expanded conference to discuss and issue a general directive about strengthening the administration of market prices. The comrade-leaders of the Municipal Central Committee and the people's government personally visited the markets and periodic markets in order to understand conditions of trade. Recently the city's financial and trade departments convened a congress of cadre on the financial and trade front to mobilize and make preparations to strengthen market administration. For several days in a row, each ward in the city has earnestly forwarded the results of their discussions; they placed their emphasis on strictly implementing the government's commodity price policy in order to develop the great and good situation of stability and unity and the great matter of being concerned about the life of the people. After a study of No 16 Warehouse, the responsible comrades of the Nanshi Ward Party Committee organized the Financial Office, the Ward Bureau for the Administration of Industry and Commerce, and the Public Security Subbureau and convened an enlarged conference of ward representatives to understand the conditions and draw up measures to improve trade at the periodic markets and in the negotiated purchases and sales. From the 19th, these finance and trade units improved authorized purchases, proceeding to dissuade units from outside the ward from competing for the purchase of merchandise at the No 16 Warehouse and resolutely halting the rise of the bidding. In Zhabei Ward, on the morning of the 19th, the responsible comrades of the ward's Food Bureau, Fruit Company, and the Industry and Commerce Control Bureau were brought together to study and draw up improved measures. In regard to the supply of goods that were purchased by negotiated prices, they decided that the price has to be decided by the ward company and then again can be supplied to the marketplace. At the same time, they decided that management should be improved and the profit margin cut down in order to level prices in the periodic markets and to stabilize the marketplace. Zhabei Ward's Agricultural By-products Company had already decided to reform the disorderly past conditions for supply at set and negotiated prices and to provide for the specialized supply of negotiated-price merchandise. The Hongkou Ward firmly upheld negotiating prices according to value and cutting down profit in order to increase volume.

The city's financial and commercial leadership, in accordance with the relevant national policies, have ruled that negotiated price and sale goods are to be limited to three types of agricultural by-products, some of the

handicraft goods of commune-managed enterprises, and the household side-products of commune members. The nation has ruled that after the completion of the national plan, it will allow communes and brigades to individually handle one or two types of agricultural by-products, such as the products originally approved by the city's revolutionary committee for negotiated sale--bean curd and bean sprouts and the like. Industrial goods are not to be handled by negotiated price. To establish the management by warehouses of negotiated purchases and sales of agricultural by-products it will be necessary to obtain authorizations. Negotiated-price commercial goods, with the exception of those for which the management of supply or purchase can be combined by commune warehouses, basically should be concentrated and managed according to their business category, with only specialized wholesale stores being allowed to manage other categories of merchandise. Sesame and peanut oil that is received or purchased by a warehouse can be sold only after processing. The most important sources of supply for negotiated-price goods are each specialized market company and warehouse's united organization in the producing area. Other units must not compete to purchase the three kinds of agricultural by-products separately entering this city under the management of corresponding warehouses. The sale of negotiated-price merchandise generally should be managed by the specialty wholesale shops. Merchandise which is entirely sold by negotiated price, such as small fruit, may be managed by subordinate branch retail stores; for supply outside of the nationally fixed quantities for food, oil, and beans may be sold by the trade authorities concerned, by specialty stores, or warehouses may be established. Where merchandise has been acquired by both fixed price and negotiated price, the portion purchased by negotiated price should be sold in specialty shops and specialty warehouses. Price control over negotiated-price goods and merchandise management should be unified under the specialty wholesale management units, for example water products controlled by the Water Products Bureau, food and oil controlled by the Food Bureau, with all following the price management of the chief unit.

The city's Aquatic Products Bureau also strengthened its leadership of the water products warehouses. On the 19th, responsible comrades of this bureau and the Party Central Committee personally went to the Aquatic Products Supply Company to pass on the instructions of the Municipal Party Committee, to investigate measures of improvement, and to decide if from now on the negotiated purchase and sale of water products will be returned to the management of the water products departments. The national government will subsidize the deficit resulting from the sale by controlled price of Ribbon-fish which had been purchased by negotiated price. Methods of supply should also be advanced in order to make purchases by the masses easier. The city's marketing cooperatives also decided that each ward's retail sales departments' prices for merchandise sold by negotiated prices that exceed the city company's fixed price will be resolutely regulated.

Huangpu, Changpu, and Xuhui wards even organized agricultural by-products, beverage, grain, tobacco, sugar, and fruit, and local products companies, and carried out investigations of commodity price and cost conditions, during the early stages of which they discovered several problems that they have set to work to correct. For example, Zhabei Ward's Haixia Clothing Store

had since October of last year been charging 5 fen for each piece of clothing a customer returned. After discussing this, the store workers recognized that they ought to strictly uphold the government's policy on prices and ought not to increase the customer's economic burden, and so since 18 January, they removed this return charge regulation.

In order to welcome the New Year peak-season market and put right the supply of goods, municipal and ward finance and trade departments are organizing their strength, studying and progressing with their investigations, resolute rectifying the freely enlarged sphere of negotiated-price merchandise, safeguarding the proper order in the marketplace and protecting the consumer's economic interests.

Nanshi Strengthens Price Controls

Shanghai WEN HUI BAO in Chinese 28 Jan 80 p 1

[Article by Dai Minghua [2071 2494 5478]: "Reorganize Negotiated Purchase and Sale Work; Prevent the Unrestrained Raising of Prices; The Nanshi Finance and Trade System Strengthens Price Controls"]

[Text] In recent days, each company and store under the financial and trade system of the Nanshi Ward has, in accordance with the spirit of the Municipal Party Committee and the people's government's general directive to strengthen price controls, separately investigated market conditions, seriously taking the progressive steps that will in time solve the immediate problems that have appeared in the administration of prices, the first steps of which have already brought about good results.

On 22 January, the ward Bureau for the Administration and Control of Industry and Commerce convened a joint conference at the No 16 Store's Seventh Trade Warehouse to clarify conditions for the division and interchange of labor, to improve consultation about prices in negotiated sales and purchases, to reform the competition in purchasing that appeared in the past, and to make closer the cooperative relationships among warehouses. Recently the city's warehouses trading in water products specially sent two liaison officers to the water products station at Dongjiadu in the ward to supervise the development of the market and delivery conditions, unifying the purchase prices of deliveries for the two warehouses. The ward's Bureau for the Administration and Control of Industry and Commerce, moreover, ruled that hereafter personnel who board ships at the No 16 Store's wharf to purchase goods must all wear tags designating them as a "Buyer," while no other unit or individual except these from the warehouses may board a ship and buy agricultural by-products from the peasants. The ward's Bureau for the Administration and Control of Industry and Commerce also joined with public security agencies and the Dongjiadu neighborhood wardens in the area along the river in a policy of attacking illegal peddlers who are making backdoor sales.

This ward's companies concerned with the conduct of negotiated purchases and sales have all carried out a complete reorganization. The ward's Food Bureau has ruled that activities involving the negotiated purchase and sale of grain

and oil can only be handled by small specialty food control points and specialty grain and oil shops. The ward's supplementary foodstuffs companies clearly stated that within the negotiated price purchases of water products under the continuing management of the Dongjiadu Water Products Trading Station, hereafter the fresh and salted Ribbonfish received will all be consigned to the marketplace to be supplied at the state-controlled price. Since 22 January, seven negotiated-price retail stores in the ward have completely stopped selling Ribbonfish at negotiated prices. In a previous period, retail sale at negotiated prices of sticky-rice cakes controlled by the market had already been stopped and the reduced-price of the remaining goods was used to supply companion food organization's workers.

Moreover, this ward's several companies resolutely stopped the unrestrained raising of price levels. The ward's department stores originally planned to assess a service fee against shops that had previously consigned wooden goods to the department stores for sale. Now they have decided not to accept fees until higher authorities put out unified regulations. These companies also carried out a one-time investigation of the price standards of maintenance branches and watch shops, whose original regulations provided for free service, and immediately rectified the unauthorized changing of fee collection standards and the enlargement of the sphere in which fees are charged.

On 21 January, the Nanshi Ward Finance and Trade Staff Office convened a conference of responsible persons from the finance and trade units subordinate to the ward and issued a special proclamation about the investigation of prices, demanding that from now until New Year, officers and workers be launched into a self-examination and mutual examination of prices and also set aside 2 days for inviting representatives of worker, youth and women's organizations to come to major business branches to cooperate with the ward government in carrying out these investigations.

Putuo Implements Price Policies

Shanghai WEN HUI BAO in Chinese 28 Jan 80 p 1

[Article: "Putuo Ward's Secondary Foodstuff Companies Alert Themselves To Protect the Consumer's Interests; Resolutely Implement the Policy To Make Purchases and Sales Fair; Subordinate Markets Are To Designate Goods for Negotiated-Price Sales Outside of Regulations, Are Not To Insist on Package Deals; Are Not To Open the Backdoor"]

[Text] On their own initiative, Putuo Ward's secondary foodstuffs company is protecting the interests of the consumer by earnestly and severely implementing the government's price policy so that trade is entirely without illicit activities. Because the 16 markets under this company do not deal with negotiated-price merchandise that is beyond regulations, do not insist on package deals, and have stopped the withholding of goods that are in demand and only opening them to backdoor sales, they have received people's praise.

This company has energetically improved the planned supply; as for negotiated-price goods, except for the bean products which are authorized by higher authority and have a guaranteed quantity of supply, all of which are not within the company's managerial sphere, no matter how high the profit, the company will not become involved with them. The company also has refused to allow any other unit to borrow market stalls to deal in negotiated-price merchandise.

Secondary foodstuffs bought from other areas, regardless of whether that area's prices are high or low or the amount of their own profit, are to be sold without exception according to a uniform price. In Rugao, Taizhou, and Huangqiao, they organized some sources for pork and also bought a shipment of pig's heads. They paid .48 yuan per jin, .015 yuan per jin for tax plus transportation; although what they gain is not enough to make up for their expenses, they still insist on selling them at the arranged price of .5 yuan per jin. Catts from Anhui, which are even more welcomed by urbanites, cost .48 yuan per picul in the area where they are produced, and after being transported to Shanghai and washed, each catty is sold for only .04 yuan.

In order to make permanent and systematic changes in the administration of markets and prices, the company will implement market management sections and each market will establish a Market Management Group; each vendor group will also equip itself with concurrent posts of administrators who will shape from top to bottom a network of markets and prices, clarify the division of labor, and insure that each shoulders his burden.

They expanded the Dongxin Market's "one brand, two counters, and three registers" method. One brand means that the specifications, kinds, and prices of merchandise are written on the brand label. The two counters means to establish a sample counter and a scale checking counter. The three registers are the scale check register, the register of consumers' opinions, and the reimbursement register. Each and every market has established sample counters, scale check counters, etc. giving clearly labeled prices, and are open to customer inspection.

As for the process of management, this company is proceeding with constant and aggressive investigations as to whether or not there are appearing short catties and deficient Chinese ounces, the raising of the grade of merchandise and price levels, forcing package deals on people, selling goods of deteriorated quality, as well as selling out the backdoor and keeping scarce merchandise for themselves. The majority of markets make a survey every 2 or 3 days. In Xikang, Dongxin, Putuo and Shagongbing markets there is an investigation every day. Every month company organizations forcefully carry out one unannounced and thorough inspection and each time prepare a record of the investigation that summarizes the circumstances of the investigation of market conditions, the competition, gives an evaluation of these, and offers praise and blame. Through the united efforts of a broad group of supervisors and workers, adherence to the required accuracy of the market scales subordinate to this company already have risen from 80 percent in the third quarter of last year to 90 percent, while some, such as the Xikang Market, have always been stable at over 90 percent.

In implementing the government's price policy, the Putuo Ward's secondary foodstuffs company did not force package deals on people but rather realistically set up an appropriate system for the fair sale and purchase, so that for everyone there are regulations that can be followed. As for violations of the government's policy and actions injurious to the consumers' interests, the company emphasizes strengthening education and, at the same time, choosing measures of improvement, for example, when customers reported that there were instances of inferior vegetables being mixed in with the rest in the market. The party committee has organized the cadre of this company to thoroughly study the food markets, carrying out 3 successive days of unannounced inspections that picked out 29 pans of vegetables where poor quality goods were being disguised. The inspectors promptly requested each market's secretary, manager, and the head of the vegetables section to look at the goods and discuss the damage. Moreover, the company issued a clear and definite statement prohibiting package deals and the mixing in of inferior quality goods.

9504
CSO: 4006

LIGHT INDUSTRY

BRIEFS

NEI MONGGOL LIGHT INDUSTRY--Nei Monggol produced 175.31 million yuan worth of light industry products, including textiles, during the first quarter of this year. This accounted for 23 percent of the total yearly plan and was 19.95 percent more than for the same period last year. [Bohhot Nei Monggol Regional Service in Mandarin 1100 GMT 2 Apr 80 SK]

CSO: 4020

CAPITAL CONSTRUCTION

BRIEFS

GUANGZHOU CONSTRUCTION RALLY--On 16 April, the Guangzhou Municipal Revolutionary Committee held a rally to cite the 1979 progressive collectives and individuals in Guangzhou's housing construction. Some 468,000 square meters of residential buildings were completed in 1979, the largest scale and highest speed in Guangzhou since liberation. Lin Xi, secretary of the Guangzhou Municipal CCP Committee and vice chairman of the municipal revolutionary committee, presided over the rally. Yang Shangkun, first secretary of the Guangzhou Municipal CCP Committee and chairman of the municipal revolutionary committee, spoke, revealing the achievements and shortfalls of the municipality's housing construction over the past few years. [Guangzhou City Service in Cantonese 0430 GMT 16 Apr 80 HK]

CSO: 4020

TRANSPORTATION

BRIEFS

HENAN-SHAANXI RAILWAY ELECTRIFICATION--The Ministry for Railways has decided to electrify the railway lines between Zhengzhou in Henan and Baoui Municipality in Shaanxi. The trains will then be driven by electric locomotives. At present, survey and design for the section of the railway lines between Zhengzhou and Luoyang have begun. The modifications of this section are expected to be completed in the first half of this year, while the section between Luoyang and (Mengyuan) will be completed in the second half of the year. [HK151220 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 11 Apr 80]

NATIONAL TRANSPORT CONFERENCE--A national transport work conference was recently held in Beijing. The participants pointed out the necessity to eliminate the disorder in the transportation market and called for learning from Hubei's experience in strengthening the management of the transport work. At present some areas are facing a shortage of transport vehicles, while in some areas vehicles are scrambling for cargoes. Hubei's unified plan of handling cargoes, operating vehicles and pricing transport fees has not only brought into fully play the province's transport capacity but also improved the quality of service and conserved fuel. [Beijing Domestic Service in Mandarin 0400 GMT 21 Apr 80 OW]

GUANGZHOU DOCKERS REWARDED--Guangzhou, 17 Apr--Dockers at the new Huangpu Harbour in Guangzhou, south China, recently received a reward of 16,200 U.S. dollars for completing the loading of a Panamanian freighter with baryte ahead of time. Under a contract signed between the harbour authority and the shipping line, the cargo was to be loaded in 14.4 days with a reward of 1,500 U.S. dollars offered for each day ahead of time the loading was completed, and a fine of 3,000 U.S. dollars for each day's delay. The Chinese dockers shortened the contracted loading time by more than ten days. [Text] [OW180959 Beijing XINHUA in English 1514 GMT 17 Apr 80]

CHANG JIANG TRANSPORT RECORD--Wuhan, 13 Apr--The Yangtze River, China's biggest, handled an all-time high of more than 11 million tons of cargo in the first 3 months of this year. Approximately 70 percent of the cargoes consisted of coal, oil, mineral ores, iron and steel, chemical fertilizers,

building materials and machinery, all of which are needed in large amounts in the Yangtze River area, which is one of China's most developed economic zones. More than 76 percent of the coal required by Shanghai's thermal power plants every year is shipped into the city via the river. The harbour in Wuhan handled 37 percent more coal in the January-March period this year than in the same period of 1979. Also shipped on the river was a monthly average of 1 million tons of oil from the Shengli oilfield near the Bohai Bay and the North China oilfields in central Hebei Province. These shipments went to a number of newly-built oil refineries in Nanjing, Wuhan and other cities, and resulted in the introduction of a number of new oil tankers ranging from 1,000-ton class to 24,000-ton class. As the volume of traffic on the river has grown, six shipbuilding bases, five port machinery factories and a number of repair centres have been set up along the Yangtze.

[Beijing XINHUA in English 0702 GMT 13 Apr 80]

CSO: 4020

END

SELECTIVE LIST OF JPRS SERIAL REPORTS

CHINA SERIAL REPORTS

CHINA REPORT: Agriculture
CHINA REPORT: Economic Affairs
CHINA REPORT: Plant and Installation Data
CHINA REPORT: Political, Sociological and Military Affairs
CHINA REPORT: RED FLAG*
CHINA REPORT: Science and Technology

WORLDWIDE SERIAL REPORTS

WORLDWIDE REPORT: Environmental Quality
WORLDWIDE REPORT: Epidemiology
WORLDWIDE REPORT: Law of the Sea
WORLDWIDE REPORT: Nuclear Development and Proliferation
WORLDWIDE REPORT: Telecommunications Policy, Research and Development

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